Nation's Business

A LOOK AHEAD

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MAY 1956



Your market in the next ten years PAGE 38

Will we have a steel strike? PAGE 40

Coming—major drive against mergers PAGE 42

How to delegate responsibility PAGE 84



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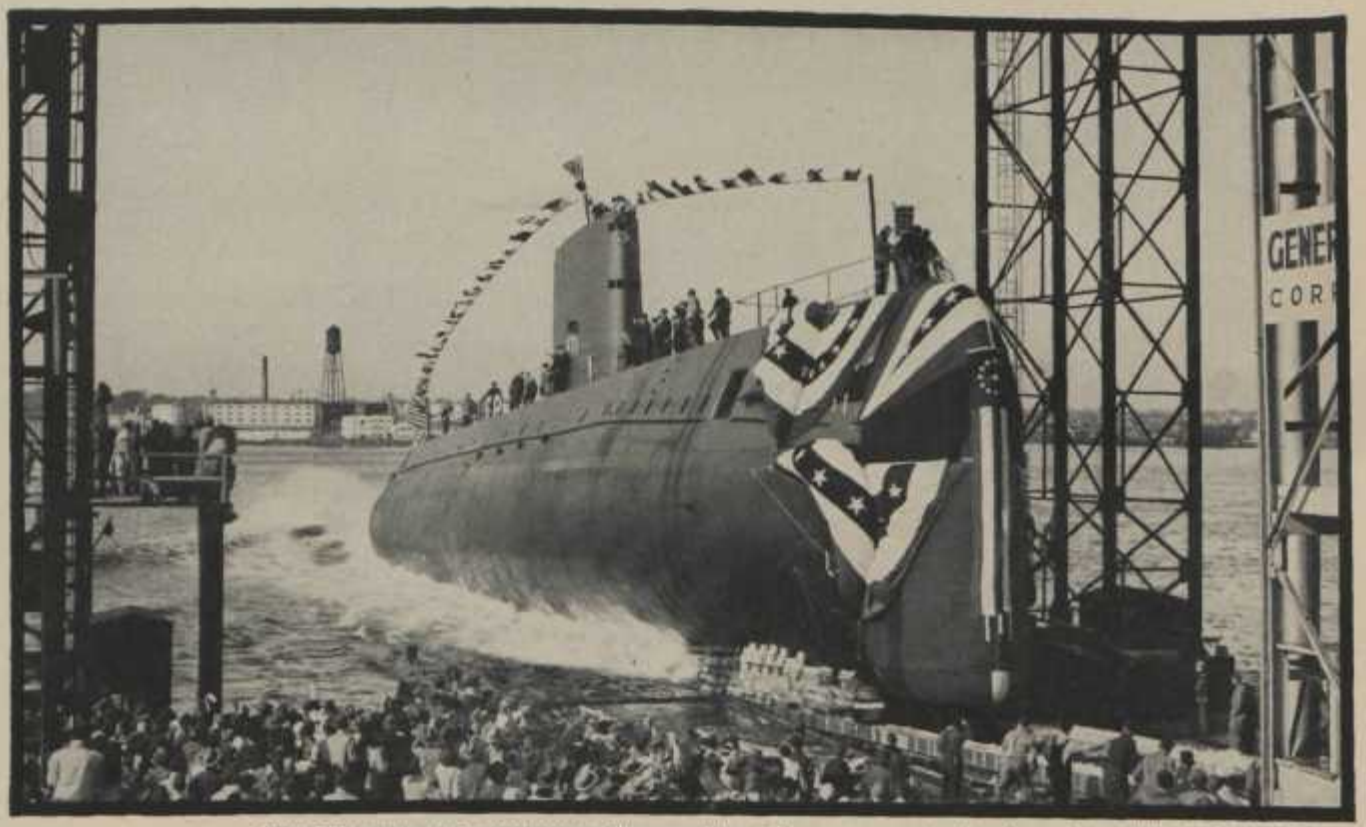
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1956

Extra Value makes the difference ...in Insurance



THE NAUTILUS AT LAUNCHING. The quality of insurance protection brought to the *Nautilus* (and sister-ship *Seawolf*) can be applied to your business.

Photo courtesy Electric Boat Div., General Dynamics Corp.

North America Companies are always among the first to brave the hazards of new and untried fields. Although the *Nautilus*, America's first atomic-powered submarine, was thought 'too hot to handle' by others, Indemnity Insurance Company of North America insured it. This was the first policy ever issued covering liability resulting from the operation of an atomic reactor. Later Insurance Company of North America wrote a policy insuring the builders against Business Interruption as the result of atomic radiation.

The same unique facilities and the superbly effective safety and loss prevention service made available to General Dynamics Corporation are ready to serve your needs. They are part of the 'extra value' you get from North America as the result of its policy of putting the public first. Ask your agent or broker about these extra values in North America service. He's an independent businessman, able to protect your welfare. To get the full story on the *Nautilus*, ask him to show you a copy of the April issue of *The North America Fieldman*.

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TO MEN BETWEEN 25 AND 45 . . .

How much time do you have before all hope of success passes you by?

There are a few striking examples of men who have achieved success in business long after reaching middle age . . . but for most men the years between 25 and 45 are crucial.

THERE are thousands of men reading this message right now who are headed for the frustrations and disappointments of mediocrity. They'll go part way up the ladder and down again by the time they're fifty years old. They'll be executive material in their twenties, thirties and forties—clerks in their fifties. They'll have high hopes for themselves and their families while they're young; and only struggle, skimping and regret later on when their earning power should be at its height.

Make no mistake about it! *Every day* you let slip by without making an effort to increase your knowledge of business is a day you *lose ground* in the fight to get ahead . . . a day that the dangerous habit of "putting things off" grows stronger . . . a day that multiplies into *years* with incredible speed.

It's easy to understand why so many promising men are lured into wasting what should be the most fruitful years of their business lives: Promotions and raises come regularly, almost automatically, early in their careers. They're satisfied with their progress, and think the future will somehow take care of itself.

But the day comes with shocking abruptness when their effortless progress ends. Salary increases and promotions no longer come their way. And they begin to see other men elevated to positions they thought would some day be theirs.

In the case of some of these men, all hope of success is gone. Others may still have time *if they act at once* . . . because it's remarkable what even a single year of systematic guidance can do for men who are really determined to get ahead.

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How about *you?* Is your natural ability being wasted in a blind concentration on mere routine tasks? Are you sitting back contentedly, vaguely promising yourself that some day you'll take steps to bring yourself forcefully to the attention of management? Are you losing precious time and thousands of dollars that you'll never be able to make up? *How many years do you have before all hope of success passes you by?*

If you realize the importance of acting while time is still on your side, the Alexander Hamilton Institute can help you accomplish more in *months* than you would, ordinarily, in *years.*

Send For Your Free Copy of "Forging Ahead in Business"

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If you are genuinely interested in knowing more about how the Alexander Hamilton Institute can help you in your efforts to get ahead faster, simply fill out and return the coupon. "*Forging Ahead in Business*" will be mailed to you without cost.

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From the earliest days of American industry right up to the present time, there has been a continuing need for executives. There have always been more good jobs than good men! The demand for men with administrative ability is particularly keen right now.

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And ambitious employees are asking: "Where can we obtain the training in the underlying principles of business which will qualify us to handle a position of executive responsibility?"

"Forging Ahead in Business" was written to answer those questions.



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CAST IRON PIPE

CAST IRON

MANAGEMENT'S washington letter

▶WILL ADMINISTRATION TAKE NEW look at '57 budget, with eye toward reductions?

Chances are it will.

Pressure is growing to stop upswing in federal spending.

Compare spending proposals for '57 with '53.

This shows over-all reduction of $8,400,000,000 [from $74,300,000,000 to $65,900,000,000).

But defense spending is down $10,000,-000,000 (from $50,400,000,000 to $40,-400,000,000).

Costs of civil functions of federal government are up $1,600,000,000 for period (from $23,900,000,000 to $25,-500,000,000).

Conclusion: Line is not being held on government costs.

▶HIGH TAXES SERVE as control over inflationary forces.

And prospect of inflation does worry some government economists.

Example: Cutting taxes, say $2,500,-000,000, would release that sum for consumer purchases because most of reduction would go to 100 per cent spenders.

That, economists fear, could trigger a new inflationary spiral.

So, tax cut talk dwindles for this year, takes new shape. It's this:

Congress will get numerous tax cut bills, mostly from individual members seeking political advantage.

But these proposals aren't expected to get far.

Upswing in government spending for coming year makes tax cuts unlikely in this session of Congress.

Note: President asked for additional $547,000,000 for fiscal '57 defense.

▶BALANCED BUDGET SKATES on thin ice for coming fiscal year.

Spending could easily exceed proposed $65,900,000,000, wipe out anticipated $435,000,000 surplus.

For example, surplus hinges largely on passage of $350,000,000 postal rate increase.

That would reduce postal deficit, save Treasury that much.

However, it now appears this proposal will not pass for lack of congressional support.

That alone would wipe out most of surplus, putting government closer to red ink financing.

▶PRESSURE GROWS FOR ADOPTION of Hoover Commission recommendations.

Reason? Congress is asked to approve big increase in defense budget for advanced aircraft, missiles, warning systems.

President wants more funds, too, for other government functions.

On savings side, Hoover reports indicate Defense Department can speed up adoption of recommendations, save about $900,000,000 in fiscal '57.

Hoover spokesmen say: If all recommendations are adopted in Defense Department, federal budget can still be balanced despite heavy boosts for national security.

Note: Out of 314 Hoover recommendations that would save $5,500,000,000 annually, 141 could go into effect by order of President or executive agency head.

▶PUBLIC WORKS OUTLAY shows $300,000,000 jump from year ago.

Increase will bring expenditures to $4,500,000,000 for fiscal '57.

Projects range from $43,000,000 for nickel and cobalt extraction plant in Cuba to President's $898,000,000 interstate highway program.

Also included: $42,000,000 for St. Lawrence Seaway development; 28 water navigation projects costing less than $150,000 each.

Note: 12 per cent of total building in U. S. is federal or done with federal aid.

▶MOST family spending units have no debts. Keep that in mind when you read consumer debt statistics.

The figures: 30,000,000 spending units are debt free, while 24,000,000 have installment obligations.

Of those owing $500 or more, 83 per cent earn more than $3,000 a year.

Balance of debt over $500 represents automobile paper--by large margin.

Note: Installment credit is most used by those with incomes between $3,000 and $7,500.

Number of these spending units has grown six times in past 15 years.

Figures are compiled by National Foun-

dation for Consumer Credit in Washington.

▶MORE MINIMUM WAGE LAWS are being passed and approved by states.

New laws in Idaho and Wyoming bring to 32 the number of states which regulate wages of some 4,000,000 workers in:

Retail trade, restaurants, hotels and other industries exempt from federal $1 an hour minimum.

Most state minimums are 75 cents--which was federal level before March 1 --but will likely move upward next year.

▶U. S. WILL ADD OVERTIME PAY to official economic indicators. First figures will be out this month or next.

Government says figures (none are yet officially compiled) may give tip-off to coming business trends well ahead of old employment, unemployment figures.

Here's why: Overtime payments are good sign of backlog size, hint at volume of new orders, sales coming in.

If overtime dips, jobless figures will probably rise in following month.

If overtime's up, employment will follow suit.

▶AFL-CIO POLITICAL DRIVE lacks support among union members.

Goal of drive for $1 contributions from AFL-CIO members (16,000,000) is only $4,000,000.

Expectation is that actual donations will reach about $2,000,000.

This will be used to support candidates and political committees.

Union politicians will dig deeper into $1,000,000,000 union treasury funds for political education--public discussion of issues, TV, radio programs, meetings, getting out the vote, etc.

Inside stuff: Most AFL-CIO leaders prefer Kefauver to Stevenson and Harriman to Kefauver.

Notable exceptions: Teamster Dave Beck and Carpenter Maurice Hutcheson.

They like Ike.

▶EARLY TORNADO WARNINGS may be possible soon. Research may provide answers before twister season is over.

Present techniques permit only warnings that tornado conditions exist in area.

Death-dealing twisters, however, may be identified in ordinary-looking thunderstorm state after spring-summer experiments.

Nation's twisters are being attacked in 3-way assault by Army Signal Corps.

New tornado tank technique--water currents in place of winds--tests 1887 cloud physics theory.

To double check theory, scientists will scatter 30-mile line of aluminum confetti in storm's path. Air drop is planned for spring or summer in Oklahoma.

Confetti is same as that used in war to confuse radar viewers while bombers passed overhead.

Air and ground radar will map confetti movements in whirling air currents to test theory now being tornado tank-tested.

Third prong of twister research is study to identify characteristics of lightning in storms that'll beget tornados.

If theory proves out, lightning fingerprints will permit earlier storm alerts.

Note: In 40 years tornados killed 9,000, wrecked property worth $500,-000,000.

▶ZERO TO 863--THAT'S GROWTH in 22 years of local sales tax which now yields $500,000,000 a year.

First city sales tax in North America was imposed by New York City in '34.

Other cities followed: Montreal in '35; New Orleans, '36; Quebec City, '40; five other Quebec cities, '41 to '43.

Big rush started after World War II. Now 863 localities tax sales in 10 states.

States and number of localities are:

California, 188; Illinois, 617; New York, 7; Mississippi, 35; Louisiana, 4; Alabama, 7; Virginia, 1; New Mexico, 1; Colorado, 2; Arizona, 1.

▶SAVING MORE, BUYING MORE. That's what Americans are doing with largest incomes ever.

Currently Americans are socking away $17,700,000,000 a year.

That's 6.4 per cent of income after taxes are paid.

The $15,300,000,000 put aside a year ago was 5.9 per cent of after-tax pay.

Income of more than $313,600,000,000 per year compares to $293,600,000,000 a

year ago; $287,600,000,000 average for '54; and $72,900,000,000 for '39.

Note: Current personal income will yield about $36,500,000,000 in taxes if rate isn't changed.

Last year's taxes: $33,900,000,000.

Spending for personal consumption averaged $252,300,000,000 in '55, now is climbing toward $260,000,000,000.

▶WAGE COSTS ON GOVERNMENT contracts will go up for some employers because of Supreme Court ruling against southern textile mills.

Court upheld industrywide $1 minimum set by Secretary of Labor under Walsh-Healey Public Contracts Act 3 years ago.

Mills lost their claim that wage floors must be set on local basis.

Decision damaged industry hopes of upsetting a $1.20 minimum set for woolen and worsted manufacturers, also:

Proposed minimums of $1.26 in electric lamps, $1.18 in photographic and blueprinting equipment, $1.10 in office machines.

Higher minimums are also under consideration in scientific instruments, flour milling and battery industries.

▶NEGOTIATED PAY INCREASES so far this year are at the same high level reached in last year's fourth quarter.

Analysis of almost 900 union-management settlements by Bureau of National Affairs, Inc., shows median increase of 8.9 cents. This compares with 8.8 cents for fourth quarter and 7.9 cents for all of 1955.

Other trends in 1956 settlements: 25 per cent provide deferred, or built-in, wage increases, a fivefold increase.

A record one third include improvements in health and welfare insurance.

About 14 per cent provide pension improvements, compared with 11 per cent last year. Two per cent include supplemental unemployment benefit plan, no change from year ago.

▶HAM IMPORTS IRK MIDWEST hog raisers.

American Meat Institute spokesman says canned ham imports from communist Poland are up 34 per cent from year ago.

They total 22,359,000 pounds for '55, representing 1,175,000 hogs.

Of added interest: Large ads now appear in Corn Belt newspapers promoting Polish hams, pork loins, chopped pork.

Poland's imports from U. S.: negligible.

▶TREASURY WANTS PEOPLE to hold on to savings bonds.

That's big reason behind current drive to push bond sales, curb redemptions.

The facts:

Americans are buying bonds at fastest rate in decade ($5,350,000,000 worth for fiscal '56).

But they're selling them faster, too--$4,668,000,000 rate in '56.

Stepped-up redemption rate doesn't help Treasury to put more federal debt in public hands. It more than offsets sales rise.

Note: Investors hold $58,166,000,000 in bonds, compared with $58,700,000,000 a year ago.

▶AS PROSPERITY GROWS so grows cost of social welfare.

Survey of 20 years shows total cost of $7,872,000,000 for 1935 compares to $28,307,400,000 for 1954, latest year of complete data.

Per capita cost jumps from $62.08 to $179.66--with prospects that upward trend will increase.

Cost breakdown shows changes in social welfare programs:

Amounts spent for social insurance leaped whopping 1,620 per cent.

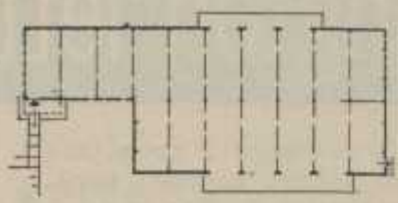
Veterans category zoomed 636 per cent.

Health is up 261 per cent, education up 247 per cent, miscellaneous up 414.

Public aid is only cost to drop during period--from $32 per capita to $17.61.

▶BRIEFS: Assets of nation's 13,457 insured banks now total $233,000,000,000, a 4.5 per cent increase in past year. . . . Cost item: Electronic systems of heavy bombers in World War II had 500 tubes, weighed 1,600 pounds. Today's models have 2,140 tubes, weigh 6,000 pounds. . . . President Eisenhower will watch no atom bomb tests because he is trying to prove to world his chief interest in nuclear science is peace. . . . New study of supermarkets shows Friday is biggest sales day in eastern U. S., Saturday is biggest in western regions.

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Businessmen say . . .

Calls overtime a tax

The article about built in wage boosts (March) called to my mind what I call built in inflation in another line, the overtime penalty in our wage and hour law.

This depression-born law had some merit perhaps at that time to help spread employment. But in my opinion, when the war came along in 1941, it should have been repealed.

A large part of our employment from that point on, and to the present time, is at the taxpayers' expense—federal, state and municipal—and the overtime rule levies the penalty on the taxpayer, especially on cost-plus contracts.

Instead of a penalty on the employer to spread the work, the time and a half or double time is getting to be considered as a right by some segments of labor, and if an employer doesn't allow a lot of overtime at the penalty rates, he has a hard time keeping or getting help. Also if he cuts down to the 40 hour week, it creates a pressure for higher wages. It is inflationary also because it pays higher wages for less work, as an employe who has put in 40 hours is less efficient on week ends when he is tired.

J. RUSSELL PARKHILL
Wenatchee Air Service
Wenatchee, Wash.

Suggestion goes abroad

Recently a personnel manager brought to my attention a very enlightening article entitled, "Three-year Study Shows How Managers Are Made" (March).

This article was of great interest to me as I am contemplating an overseas assignment as a Training-Within-Industry Adviser.

ROSCOE H. BURT
Regional Training Leader
U. S. Dept. of Labor

Commonsense

I have just read "Slow Traffic Laws Waste Fast Roads" in the April issue and believe it is the most commonsense and realistic approach to the traffic problem I have read for many years.

My family and I have just completed a 3,000 mile trip through the middle south and of all the larger cities I believe Dallas was the easiest one to drive through, although we went through at the lunch hour. There were no traffic jams and we hardly stopped although we went through on a regular business street until we entered the expressway. This has a 50 MPH maximum and 40 MPH minimum speed limit. Everyone drove along at about the same speed, with no dangerous passing, which is commonplace on many city thoroughfares.

GARTH L. RUSSELL
Burdett Manufacturing Co.
Chicago, Ill.

Vets who need help

I have read two articles in the April issue on which I wish to comment because the attitude of the articles affect the welfare of the paralyzed veterans. The two articles to which I refer are "Vets Demand Pensions For All," and "A Combat Vet Weighs Pension Pleas."

I do not wish to get into an involved discussion on the value of the bills for flat pension increases. I shall just point out how opposition, which is building up to these new pension proposals, may cause the overlooking of a real need for compensation and pension adjustments for the very seriously disabled.

We believe that it is both necessary and practical to increase compensation and pension for the service and nonservice connected quadriplegic (those paralyzed in all four extremities) and for the nonservice connected paraplegic (those paralyzed in the lower two extremities.)

These most seriously disabled cost the Government more in veterans' hospitals on a per day basis than any other medical disability. The cost for quadriplegic care usually is well over $20 per day per patient. It is to the government's advantages to get these patients out of the hospital once they have received maximum medical benefits, at any cost below this daily care figure.

The quadriplegic, however, is faced with the need for full time medical assistance.

This situation is most seriously aggravated by the nonservice con-



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nected. They require the same care at the same cost to the Veterans Administration and yet even the quadriplegic nonservice connected veteran receives only $135 after leaving the hospital provided he has no funds whatsoever of his own (and he must buy all his medical equipment). The service connected paraplegic receives $400 a month, which is somewhat closer to the real need, provided he does not require an attendant.

The first year's medical care has been quoted as high as $45,000. Therefore, if the nonservice paraplegic and quadriplegic does not receive VA assistance, he will merely be thrown on the mercy of the city or state in which he lives. There, because they do not have the specialized paraplegia centers, the cost of care is double or more and the quality is usually limited by the facilities available. So in the end the taxpayer pays the bill and, at that, he pays a higher one.

While it may be a questionable policy to add to the government's burden by across the board pensions, it certainly behooves those in government and the American taxpayer to approach the seriously disabled with not only rehabilitation in mind for the individual, but practical economics for the government.

ROBERT FROST
President, Paralyzed Veterans of America, New York, N. Y.

Job enlargement philosophy

As a result of building a program in our own plant in the area of the thing you call "Job Enlargement" in NATION'S BUSINESS (December 1954), I have become interested in spreading the philosophy of such a program in our city and in our industry. This article did a much better job of summarizing the philosophy behind giving workers more individual responsibility than did my previous reading.

Would it be permissible to use some or all of the material in the article referred to as outlined above?

FRANK F. PFEIFFER
Exec. Vice President
The Reynolds & Reynolds Co.
Dayton, Ohio

Permission granted

Management improvement

We are most interested in the article "Three-year Study Shows How Managers Are Made," and would greatly appreciate being permitted to include it in our Management Improvement Reading Packet. We would consider it an excellent and valued enclosure.

As a part of the USAF Management Improvement Program, the Directorate of Manpower and Organization distributes to the Management Division of our major commands world-wide, a Management Improvement Reading Packet monthly. This packet contains the best management material developed in-service as well as selected articles and publications from industry that parallel our varied missions.

LT. COL. ORLO L. AUSTIN
USAF Headquarters
Washington 25, D.C.

Permission granted

Penetrating questions

Just a note to tell you that we enjoyed reading the article which Herbert Harris wrote up about our company manager development activities. All of us were glad to talk with Mr. Harris; and we benefited from his penetrating questions. It was good to see that he covered so broad a subject so briefly and graphically.

HAROLD F. SMIDDY
Vice President
General Electric Company

I read "Three-year Study Shows How Managers Are Made" which appeared in your March issue.

If reprints of this excellent article are available, I would appreciate receiving ten copies.

G. R. CUMMINGS
Eli Lilly and Company
Indianapolis

The article on how managers are made in your March, 1956, issue was very interesting and, I am sure, more people in our company would be interested in it.

FRANK T. MELCHER, JR.
National Malleable and Steel Castings Co.
Cleveland, Ohio

Also 700 other requests totaling 15,000 reprints

An issue made plain

The treatment of the Supreme Court's decision on segregation by Felix Morley in the March 1956 issue of NATION'S BUSINESS was perhaps the best editorial on this subject that we have seen. Truly that decision is just another encroachment of the federal government on the rights of the states and is judicial legislation.

ERNEST REES, JR.
Vice President & Gen. Manager
The Elk Cotton Mills
Fayetteville, Tenn.

True and terrific

Enclosed one thin dime in payment for one copy of your article "We're Heading for a Labor Government." (Dec. '55). It was terrific. At last someone has put this true goal of labor in black and white.

C. K. TREWHELLA
Oswego, Oregon



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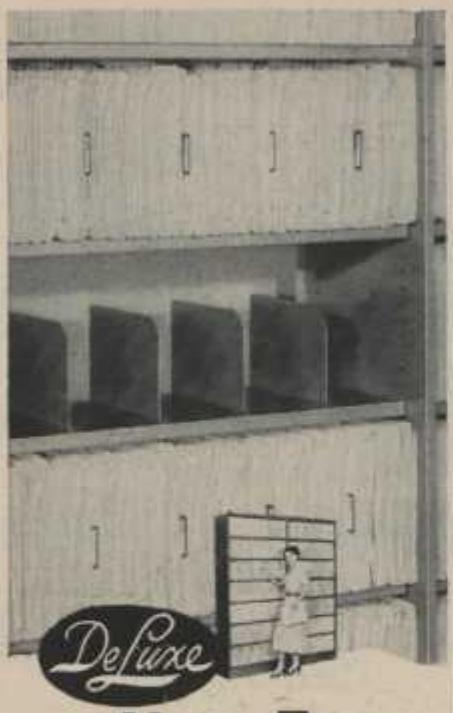
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PROGRESS:

Retirement housing offers new market

INDUSTRIES, life insurance companies, home builders, labor unions and professional organizations are closely watching a boom spreading across the country.

It is retirement housing.

Enterprising builders are putting up thousands of low-cost dwellings designed especially for people 65 and more.

The Upholsterers' International Union is building an entire modern village on a 614-acre tract at Palm Beach for older members of its health and welfare fund.

Other labor groups are looking at blue prints.

Industry is interested because retirement villages or suburbs may solve the problem of watching valued employes wither away when they go off the payroll.

Insurance companies are investigating retirement housing for its effect on mortality rates.

A series of proposals to speed and widen the boom are before Congress.

The shape of the activity is indicated by a builder who has pioneered in this field, Maurice C. Naples of Florida. He says, "The market is hardly tapped. It lies among those whose income while working was $5,000 a year and whose retirement income will be $1,500 to $2,000."

Some statistics help tell the story: The Census Bureau expects 21,000,000 Americans over 65 by 1975. This will be almost one out of ten in the population. Today, about seven out of ten elders receive income from pensions or social insurance or both. Nearly 70 per cent of aged urban dwellers own their own homes, but these homes have outgrown their needs and wants. The stairs are too hard to climb. The third bedroom is a bother and the yard too big to tend. Friends have moved away. Facilities dear to the aged—libraries, parks, medical centers, churches—are inconveniently far off.

Actually, a start was made as far back as 1922. Then, the Loyal Order of Moose founded Moosehaven, a model community for the elderly, at Orange Park, Fla. There, the 374 aged have, in addition to housing, a hospital, gerontology research laboratory, a dairy farm and a newspaper. In 1928, retired teachers in Seattle, with the aid of a philanthropist, built an apartment for their members over 60. Many church, professional groups and lodges have followed these footsteps.

Within the past few years, a number of cities have taken official action. They include New York, Cleveland, Denver, Chicago, Memphis, St. Louis, Providence and Syracuse.

New York was pushed into retirement housing by figures presented in 1953. Then, nearly 1,000,000 aged were living in the city with 100 more joining the ranks every day. Also, the per cent of the aged living in slum sites was alarmingly high.

Four hundred and twenty-five new apartment units especially designed for the elderly in New York provide a practical laboratory for retirement housing. They have such features as nonslip floors in bathroom, bathtubs with built-in seats and grab bars in the walls. Thresholds are eliminated to lessen possibility of tripping, shelves and cabinets are lower.

But it is not only the big cities that are interested. Windom, population 3,000, in the southwest corner of Minnesota, is planning a retirement center for older people living within a 20 mile range and the Mayor of Dearborn, Mich., has proposed a retirement village for the elderly in his city.

The role of government in this current boom is, however, modest.

Enterprising private builders have pushed retirement housing out of a rut in the past 24 months. Much credit goes to the National Association of Home Builders, whose past president, New York builder T. P. Coogan, is a pioneer in this field. The NAHB has spread the word that here is a hot market and is sharing its members' experiences.

Thousands of elderly persons want a place to live better suited to their age, and they have money to pay for it. Forty per cent of the sales at Leisure City, Fla. have been in cash.

The average retirement home going up today has two bedrooms, one



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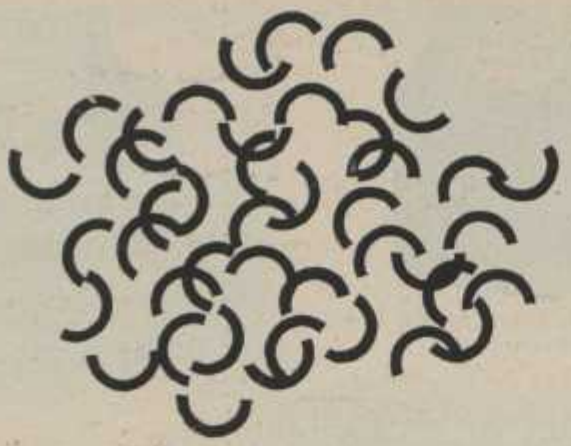
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olivetti

HOUSING

continued

bath, generous storage space, and sells for less than $10,000. (An interesting sidelight is that the oldster wants an extra bedroom for visiting friends and relatives, but he wants to limit the number of guests.)

Three retirement villages typical of the times are at North Cape May, N. J., Ormond Beach, Fla., and Salhaven at Palm Beach.

Carl Mitnick, veteran New Jersey builder, stumbled on this field by accident five years ago. He thought of the North Cape May development, three miles from the cape on the Delaware River, as a summer colony. But the price, the financing, the location and facilities were just what the oldsters wanted. Sixty per cent of the nearly 1,000 buyers are retired couples from nearby Philadelphia and northern New Jersey. There are more than a dozen clergymen, along with factory workers, and retired policemen, firemen and municipal employes.

The original home had two bedrooms and 560 square feet. It was priced under $6,000 with $740 down and $31.40 a month.

There is a spirit about this type community that surprises and gladdens the observer. Mr. Mitnick said, "Living in and improving their own community gives the older people a new reason for life. It's a pleasure to see. There is a retired punch press operator, for example, who wanted all his life to be a carpenter. So he made his own fence. Others liked it so well they gave him orders. Now, he's building garages and carports and one of the happiest fellows I've ever met because he's doing what he always wanted to do.

"They outdo themselves fixing things up, and are constantly working in the yard."

At Ormond Beach on the ocean, each house has two bedrooms, 900 square feet, 60 by 100 foot lots, and carports. The houses sell from $8,500 to $9,350 and are financed conventionally by a local bank. Monthly payments of $55 are spread over 15 years. This development advertises extensively in northern industrial areas.

Salhaven, the Upholsterers' Union village, has one, two and three bedroom houses and an apartment built around a medical center, convalescent facilities, studios and workshops for hobby fans, restaurant, library, auditorium, and a small furniture factory to provide income and familiar activity. The units will be rented at from $50 to $80 a month.

Out of this experience comes some practical advice:

1. A well constructed house is important. The oldster knows what he wants, investigates thoroughly, takes longer to make up his mind, and requests changes to suit his own needs. He does not want the exterior of his house to look just like that of his neighbors.

2. A carefully planned community, rather than assorted houses, attracts the oldster. He wants to be near churches, community centers, parks and play areas and transportation. He likes sunlight and wants to be away from industrial smoke and noise.

3. He does not want to trudge up and down stairs or steep walks, and appreciates inconspicuous safety devices such as hand rails. He is, however, offended by too obvious aids for those in feeble health.

4. The house must have all modern appliances and a good heating system. Older people, as a rule, require higher indoor temperatures to compensate for poorer circulation.

5. The oldster wants a small lot but does want enough room for a garden.

6. Many builders have found that financing is not a problem. A Long Island contractor, Bernard Krinsky, reports many of his customers, retired New York City civil servants looking for a quiet village near old haunts, paid cash. Others made large down payments and picked up 25-year mortgages without trouble. Mr. Krinsky explains, "Many recently sold the houses they bought 20 years ago for around $5,000 at a good profit. Also, they've saved. They have money in the bank and are in good health."

Private lenders are waking up to the fact that the retired person is a lot better risk than they realized. A Detroit banker has commented, "We are finding that the loans are good, if other factors are equal, without regard to the age of the borrower. The effective life of the average mortgage is only seven or eight years today, and the life expectancy of the 65 year old is often that much or more."

Still, many oldsters and builders are discouraged by the coolness of lenders and the FHA. This prompted the Senate Housing Subcommittee a few weeks ago to recommend opening up credit doors and to offer long term, low cost financing to private developers and non-profit agencies for retirement housing.

All in all, this new boom can be chalked up as another example of the way private enterprise meets social needs.—Tris Coffin



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Trends
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THE STATE OF THE NATION

BY FELIX MORLEY

Whoever the next President may be he must decentralize his duties

May is the month of primaries. They will be held in eight states, scattered from Florida to Oregon, during this period. Then, on June 5, are bunched the last four of these preliminary workouts. After that the presidential contest would normally enter its second phase, lasting until the nominating conventions, this year in August.

This second phase is one of party consolidation, during which the attention of the professional politicians, as distinct from those who seek election, begins to focus on issues rather than on candidates. Even if the primaries have given no clear idea of who the nominees will be, it is necessary by early summer to make some definition of the stand the parties will take on various issues. One is likely to forget that at the conventions the platform is drafted and adopted before the balloting for the candidate, who gives allegiance to the party stand as soon as nominated.

For the party in power this period of consolidation is ordinarily a straightforward matter. Its leaders have only to review Administration policy as it is operating, to find this good and to say how they plan to make it even better. Conversely, the opposition customarily finds existing policies bad, and says how they should be altered in behalf of the general welfare. But this year it isn't going to be so simple.

In the first place, the President now is Republican and the Congress Democratic. So the Administration cannot claim full credit for policies which it has only been able to operate with opposition support. And by the same token the opposition cannot roundly condemn measures which its representatives had the legislative power to block.

This division of power, of course, arises not infrequently under our political system. Traditionally, one party meets it by arguing that the next Congress must be one on which their President can rely. The other party responds that the next President must be one who will work harmoniously with their Congress. Both positions are logical and each points to the same end of a unified executive and legislature.

This year, however, the Democratic Party is too much afflicted with internal discord to follow the traditional tactics. Its leadership cannot effectively argue that the President must be one who will work harmoniously with a Democratic Congress. It is all too clear that the Democrats in Congress are not now working harmoniously with each other.

A serious problem was posed for the Democratic National Committee when 19 Senators and 77 Representatives of that party recently issued their segregation "manifesto." The signers, constituting a large proportion of the Democratic strength in both Houses of Congress, pledged themselves "to use all lawful means" to reverse a Supreme Court decision which they described as "a clear abuse of judicial power . . . contrary to the Constitution."

• • •

The Democratic platform, now soon to be formulated, cannot possibly indorse this position. But neither can it be flatly repudiated without risking a repetition, perhaps on a larger scale, of the so-called Dixiecrat revolt of 1948. That cost Mr. Truman 39 electoral votes, which eight years ago did not prevent his victory. It does not follow that there would be no serious risk in 1956. With a Republican candidate as popular as President Eisenhower it seems of the first importance to have unified support behind the Democratic nominee, whoever he may be.

So it follows that, this year, the normal period of pre-election consolidation will be postponed by

the Democrats as long as possible. Their bad situation could easily be made worse. Therefore the strategy of the Democratic leadership must be to go to the Chicago convention without any prior official pronouncement on the segregation issue, hoping that in the enthusiasm of this great rally the two factions may at the eleventh hour be reconciled in support of a carefully drafted plank and behind a candidate acceptable in every state.

This enforced fluidity is the reason why, regardless of present and prospective primary results, there is at present such complete uncertainty as to the next Democratic candidate.

• • •

The situation is obviously one that throws unusual strain on the present front-runners. They must largely ignore the cleavage in the party which each individually aspires to lead. Where that is impossible they must at least do nothing to inflame internal dissensions. For the same reason they must even be careful about criticizing each other, the more so as the date of the nominating convention draws steadily nearer.

But a political campaign devoid of personalities is almost a contradiction in terms. Deplorable or not, the give-'em-hell technique does get results. Perhaps the only way out of this dilemma is to mount an attack against the man who may be expected to carry the Republican standard.

It is therefore to be expected that the President's physical condition will be a matter of sharp discussion, perhaps more before August than after his opponent is finally selected. And Mr. Eisenhower has tacitly invited this by saying that, partly for reasons of health, he will place certain restrictions on his activities, both as a candidate and, if re-elected, on his direction of the executive office. "In many cases," he said in his historic announcement, "these things can now be done equally well by my close associates."

The opening was promptly seized by Adlai Stevenson. To establish conditions for the Presidency, he asserted, sounds "like the rules for governing a kingdom or a corporation. They are not the rules for governing a democracy."

This was not one of Mr. Stevenson's happiest forays and it evidently helped very little in the immediately subsequent Minnesota test. Whatever the rules for governing democracies in general may be, those that govern the United States are clearly written in the Constitution. And these rules make it not only appropriate, but even compulsory, that a President should relinquish many duties of government to others.

The federal structure of our republic, for instance, gives large executive powers, which the President must be careful not to usurp, to the legislatures and governors of all the 48 states. Indeed it is the experience gained by the heavy responsibilities of local administration that makes presidential timber out of a man who has successfully governed an important state. No less than five of these, in addition to the former Governor of Illinois, are democratic possibilities at this moment. They are the governors of New York, Ohio, Pennsylvania, Michigan and New Jersey.

The Constitution, as another illustration, makes the President "commander-in-chief" of the armed forces. But this has never been taken to mean that he should wear a uniform, or personally supervise the military establishment. It is only with the top direction that the President concerns himself.

In other cases the Constitution not only permits, but actually compels, the President to leave authority to others. The conduct of the courts is of the greatest importance to every citizen, yet the judiciary is by intent completely independent of Presidential control. Americans would be properly horrified if judges, before making their decisions, should ask the will of the White House.

Our system of separated and balanced powers is certainly not wholly democratic, but should not be thought the less admirable for that reason. A major purpose of the Founding Fathers was to protect the liberty of individuals, and the reserved rights of the states, against the constant possibility of executive tyranny. Therefore they took great care to limit presidential authority.

Of course this does not mean that the President is lacking in power. On the contrary, as the nation has grown and prospered under our system, the power and the inseparable responsibility of his office have likewise grown. For that reason every occupant of the White House has been progressively forced to delegate authority, first to his Cabinet and more lately to the heads of specialized administrative agencies. The Supreme Court has always found this procedure wholly in keeping with the letter and the spirit of the Constitution.

• • •

Whatever his name or party, the next President of the United States will of necessity have to let much of the enormous and steadily increasing burden of that office devolve on others. He must be spared the masses of detail precisely because the overriding responsibility cannot be delegated. This is not a matter of any individual's health, but one of administrative compulsion.

There is nothing improper in making Mr. Eisenhower's health, or the personality of his eventual running mate, a campaign issue. But the imperative decentralization of the presidential burden had better be left out of the field of political debate. If elected, anyone who had condemned it would certainly find himself forced to practice what he had preached against.



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Trends
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WASHINGTON MOOD

BY EDWARD T. FOLLIARD

Early months of campaign show that two-party system is as vital as ever

IT WOULD BE a sad day for the United States if either of its big political parties ever gave in to defeatism and folded up without a campaign fight.

If that happened, we would be denied a debate on the great issues of the day; the color and drama of political warfare would be missing, and interest in our government would fall off.

Fortunately, both the Republican and Democratic parties have records of aggressiveness and combativeness. Both have experienced long and disheartening periods when they were the outs with respect to the Presidency—the Democrats for 24 years, Lincoln to Cleveland; the Republicans for 20 years, Hoover to Eisenhower. However, both have put up a gallant fight every four years, even when one or the other faced almost certain defeat.

Now comes the 1956 campaign, and again we are reminded of the vigor of our two-party system.

Although President Eisenhower is a top-heavy favorite to win re-election as the standard bearer of the Republican party, it is the Democrats who have been making most of the noise and getting most of the political headlines.

• • •

The struggle between Adlai Stevenson and Sen. Estes Kefauver of Tennessee for the Democratic presidential nomination has been the talk of Washington. Looking on as the two men slug it out, one would hardly know that the Gallup Poll and the betting odds indicate that the Democratic nominee will be an also-ran in November.

How does one account for this spirited battle in the Democratic party, the political situation being what it is? Do the Democratic candidates really think that they have a chance to reach the White House?.

One way to answer that is to recall what happened in 1936, 1940 and 1944, when the political picture was reversed. The Republican nominees in those years—Landon, Willkie and Dewey—campaigned bravely, even though they were up against Franklin D. Roosevelt, the Democrats' greatest vote-getter of modern times.

All three thought they had a chance to beat FDR; thought so, at least, up to a point. That is the way politicians are, scrappy, confident and buoyant in spirit. Men who are faint of heart, or of a hopeless turn of mind, don't go into politics in the first place.

So the answer is, yes, Stevenson, Kefauver and the other Democratic hopefuls do think they have a chance to win. Try and pin down the party strategists and ask why they think so, and the answer you get is rather vague and not very convincing. Still it explains their own chin-up attitude. They remind you that you never can tell in politics; that a lot can happen between now and November. They remind you, too, about what happened in 1948 when it was supposed to be in the bag for Tom Dewey and the Republicans. And they point out, in this connection, that there is again discontent among the farmers.

The danger of taking too much for granted in politics has recently been brought home in emphatic fashion to a lot of influential Democrats. They had been assuming that Adlai Stevenson was virtually certain to be their party's nominee for President in 1956, as he was in 1952. The Gallup Poll showed Stevenson to be an overwhelming favorite among the rank and file of Democratic voters. Also, he had the backing of some of the most powerful leaders in the party. However, when

Washington mood

Stevenson and Kefauver met for the first time in the Minnesota primary election, it was Kefauver who proved to be the top vote-getter.

The surprising thing about the Stevenson-Kefauver contest is this:

No matter how many victories Kefauver wins in primary elections, there still are many political observers here who remain convinced that he can't get the Democratic nomination. They agree that Kefauver hurt Stevenson in Minnesota. They say that if he beats him in their next head-on battles (Florida, May 29 and California, June 5) Stevenson may be washed up.

Still, they won't concede that Kefauver will then be in line for the nomination.

• • •

The answer to this curious situation is to be found in arithmetic and in Kefauver's personality. Even if Kefauver won all of the primary elections he has his eye on, he still would have only about 300 delegates at Chicago, and it will take 687 to win the nomination. The rangy Tennessean had 340 votes on the first ballot in 1952, and yet lost out to Stevenson, who had said he didn't want the nomination.

The opposition to Kefauver in the Democratic party is not easy to explain, but it is powerful.

As this is written, not a single one of Kefauver's 49 Democratic colleagues in the Senate has come out for him. Only two members of the House have declared for him, Representative Wayne L. Hays of Ohio and Representative Coya Knutson of Minnesota.

How do you account for this chilly attitude in Congress toward a man who seems to make a hit with the voters?

Here are some of the things his fellow Senators have against Kefauver: That he has moved too far and too fast; that he is too self-centered; that he is not a team player who is willing to carry his share of the drudgery in the Senate, and that he is too eager for the spotlight.

Two other things may have hurt Kefauver with the party professionals. One was his televised crime investigation in 1950, when he exposed conditions in cities controlled by Democrats. Then there is the fact that he has praised the action of the Supreme Court in outlawing segregation in the schools. This has not endeared him to some of his fellow Southerners.

Kefauver's admirers—and they are an earnest lot—suspect that there is a good deal of envy among his colleagues.

They insist that he works hard in the Senate, despite his campaigning in far-away states. They say he has handled his share of the drudgery, too, and point to his long and painstaking work on the Dixon-Yates case.

However, their favorite reply to Kefauver's critics is the familiar, "Nobody's for him but the people."

They think the Democratic party will damage itself seriously if it denies Kefauver the presidential nomination in mid-August, provided he continues to demonstrate his prowess as a vote-getter.

They may be right and Kefauver may get the prize after all. But it is also possible that the delegates will agree with former President Truman that presidential primaries are "just a lot of eyewash," and prove nothing.

Of course, Stevenson is not yet out of it. If he should win over Kefauver in Florida and California, it would do much to offset his defeat in Minnesota, and he would again have to be regarded as a major contender, perhaps even the favorite.

The former Illinois governor was stung by things said about him after his trouncing in Minnesota—the observation, for example, that he had been too lofty in his speeches, too intellectual; and the criticism that Kefauver had outdone him in the homespun approach to the voters and in shaking hands.

Adlai showed his feelings when he told a crowd in Los Angeles:

"When I read in the papers, as I have all of a sudden, that I spend too much time discussing the issues and not enough time shaking hands, when I even read that I'm more concerned about issues than about people—well, frankly, it makes me disgusted, and then it makes me just plain mad."

• • •

There are some pundits hereabouts who think that Stevenson and Kefauver will kill each other off at the Chicago convention, and that the nomination will go to a dark horse.

In this connection, there is a good deal of talk about Sen. Stuart Symington of Missouri. He is 54, tall and good-looking, a one-time industrialist who made a fortune doctoring sick businesses. He served as the first Secretary of the Air Force and in other posts in the Truman Administration, and then in 1952 bucked the Eisenhower tide and won his seat in the Senate by a majority of 150,000.

His Missouri backers feel that he would appeal to delegates from both the South and the North, and thus avoid the danger of a party split. He backed up the Supreme Court in its segregation opinion, but has been moderate in his remarks about the matter. His grandparents were Southern sympathizers in the Civil War, and his paternal grandfather, Maj. W. Stuart Symington, was in the Confederate Army and took part in Pickett's charge at Gettysburg.

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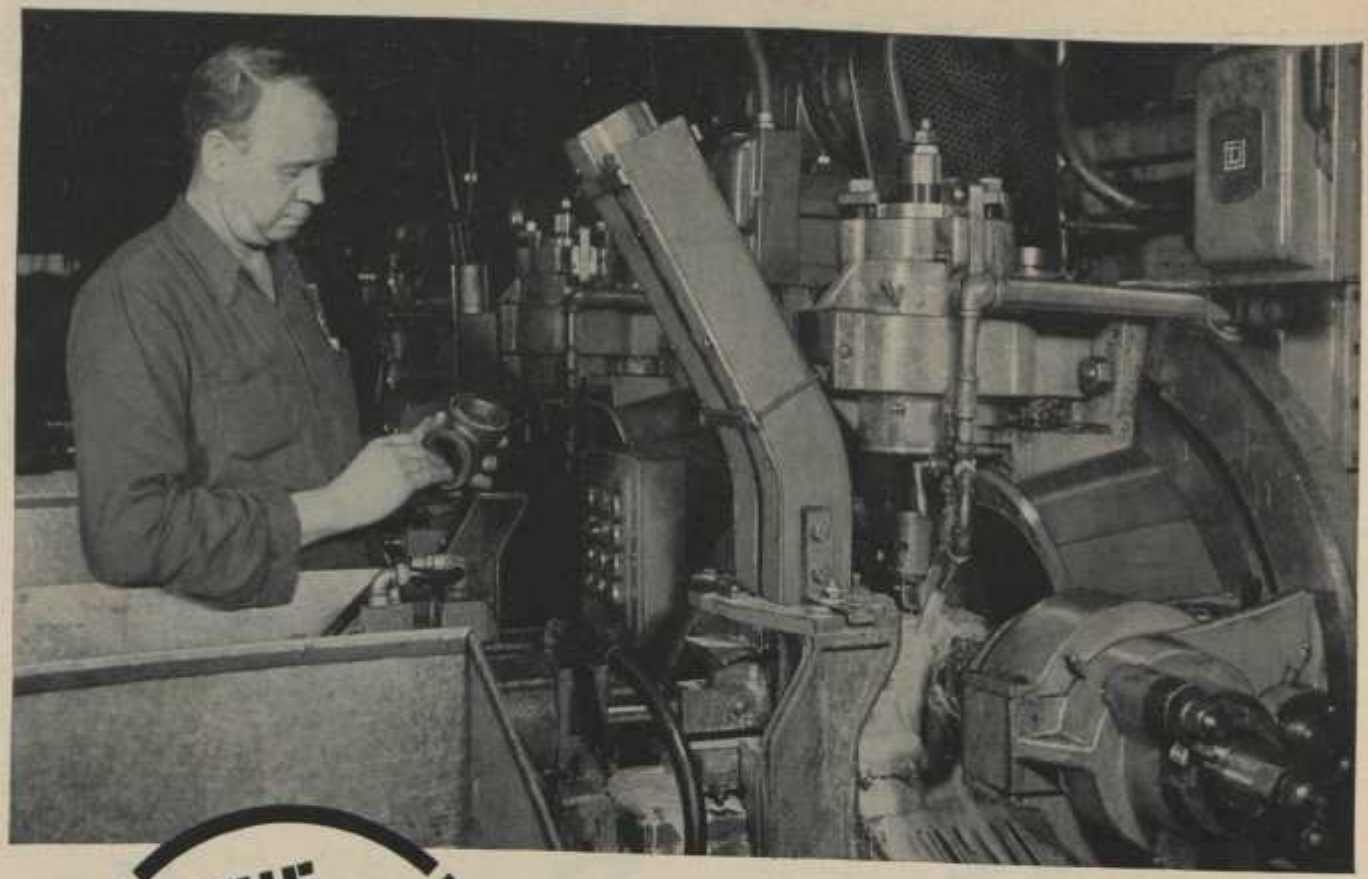
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GOVERNMENT PRESSES "MODEL" INJURY LAW ON STATES

Three proposals affecting job safety and insurance threaten higher costs and encroachment on local authority

GROWING federal pressures threaten to undermine recognized state responsibility for workmen's compensation and other legislation for protecting workers against disabling injuries and sickness.

Critics of increasing federal interest in normally state-operated social insurance programs fear the trend will:

► Increase the $1,300,000,000 bill industry picks up annually for workmen's compensation benefits paid for most of the work injuries and deaths, and add other costs, traditionally not within the concept of workmen's compensation, for other worker disability benefits.

► Lead to federalization of workmen's compensation and industrial safety programs which the states have handled on their own since the beginning of the century.

► Tend to make worker disability insurance administration and benefits more uniform without regard for varying conditions in the states.

► Encourage a shift from use of private, competitive compensation insurance and self-insurance, now available to employers in all but seven states, to more reliance on state-run insurance funds.

States and employers will feel most of the pressures from federal activity involving three worker injury programs covered by state laws.

1. *Workmen's compensation.* A so-called model state law comprised of what federal experts deem to be the "best" provisions of the "best" state laws is being drafted in the U. S. Department of Labor. Some 2,500 copies of a discussion draft have been distributed among state compensation, union, trade association, insurance company and other officials and experts for comment.

The plan: to have a final draft ready by year end, so that the 45 state legislatures meeting next year may use it as a guide in revising their compensation laws.

2. *Industrial safety.* President Eisenhower has asked Congress for a federal Industrial Safety Act and $2,000,000 to provide assistance to the states in developing and expanding their industrial safety programs.

Under the Administration-backed bill pending in the Senate, grants will be made only to states that adopt safety plans which meet federal standards. This could lead to federal regulation or control of state industrial safety programs.

3. *Temporary nonoccupational disability insurance.* The President has asked Congress to pass a law requiring temporary disability insurance benefits for workers in the District of Columbia. Only four states, California, New Jersey, New York and Rhode Island, have such a law.

Sponsors of the Administration's Senate bill say it is "designed to provide an insurance system under which cash payments for a limited period would be made to individuals in the District of Columbia who are unable to work because of a physical or mental disability that is not work-connected."

Such a law for workers in the nation's capital could be used as a lever in trying to get states to pass a similar law. The President in the past has referred to the District of Columbia's unemployment insurance law, for instance, as a useful model for improving state laws.

The model state workmen's compensation law is being drawn up under the direction of Under Secretary Arthur Larson, former dean of the University of Pittsburgh Law School. When he first announced the project, Mr. Larson said the idea of a model law had been a dream of his for years, even before he accepted his federal post two years ago.

Secretary of Labor James P. Mitchell started the project, however, with appointment of a committee to study what the Department of Labor could do to help "bring about improvements" in workmen's compensation.

The result so far is the preparation and distribution of the 91-page discussion draft of a model state law. A final draft will be issued after comments and criticism are in.

Mr. Larson may have anticipated the criticism the discussion draft has

raised when he said that trying to come up with a model composite of 51 different state and territorial laws was "a rash—almost arrogant—undertaking."

The project itself is being generally criticized on the ground that it is unwarranted federal intervention in legislation normally reserved for the states and that no reasonably accurate estimate of cost is possible because of the many indeterminate factors involved.

The provisions of the discussion draft are being attacked as encouraging drastic changes and new concepts in conflict with the basic theory of workmen's compensation. Mr. Larson disclaims any intention to interfere with the historic state structure of compensation laws or to propose a uniform law for all states.

"We are not aiming at uniformity," he told NATION'S BUSINESS. "The model law would be only a guide from which the states could choose what suits them."

The Commerce and Industry Association of New York told Mr. Larson it would not comment on the discussion draft because the model bill will likely be interpreted as a first step toward federal intervention in state compensation programs.

"The problems of handling workmen's compensation, providing adequate and prompt medical care or rehabilitation and obtaining reasonable compensation are peculiarly local in nature," Thomas Jefferson Miley, executive vice president of the New York business organization, wrote Mr. Larson. "We feel that in New York at least this matter can be and should be best handled by that local level of government closest to the problem—the state. We would suspect, because of the varying economic and social conditions throughout the country and the need for immediate personal treatment of those disabled, that most would agree that generally workmen's compensation should be a state problem."

As for costs, experts have found it impossible to determine just how much they would increase under the proposed bill.

Here are just a few of the many provisions of the proposed law:

1. Definition of injury would be enlarged by including "mental harm" unrelated to a physical injury and by eliminating the requirement in most state laws that injury be received "in the course of" employment.

It would be enough for the injury to arise "out of" employment.

Mr. Larson describes this proposal as revolutionary reform and says, "It remains to be seen whether this innovation will survive." He feels that the enlarged definition of injury would provide compensation for many injuries which occur outside of the time and place of employment that are plainly work-connected.

Examples: Eye injury from a metal sliver which falls on a riveter's eyelashes at work but which does not fall into his eye until he has left work; injuries to a foreman who, while asleep on Jones Beach, is hit on the head by a pop bottle thrown by a disgruntled worker he had fired a few days before; injuries suffered by an employe who works during a strike and is assaulted at home by strikers; tarantula bite suffered by a banana-handler at home from a tarantula which got on his pants at work.

Businessmen say this proposal would "open the floodgates" and assure compensation in marginal cases and others where the circumstances leading to the injury are beyond the control of the employer. It would magnify a problem already troublesome with regard to traveling salesmen, who seem to be covered for almost any injuries suffered while away from their home base on company business.

2. Coverage would be broadened to include employers of one or more workers, with some workers exempted: domestic servants in private homes, casual workers employed up to ten days, workers on farms with a payroll of not more than $500 a year. Twenty-nine states do not now cover employers of less than three persons. Almost all exempt farm labor and domestics.

The director of the Department of Labor's Bureau of Labor Standards, Paul E. Gurske, former chairman of the Oregon Industrial Commission, who has done much of the work of drafting the model law, feels that farm injuries should be compensated because growing mechanization of farms has increased their frequency and seriousness. Agriculture, he says, has the fourth highest injury rate in the country. Higher rates occur in stevedoring, logging and log-hauling, and construction, in that order.

Mr. Gurske feels that 12,000,000 workers are not covered who should be. About 40,000,000 are covered under present laws.

3. Maximum limit would be removed on compensation to a totally disabled worker. When the disability is temporary, he would receive two-thirds of his average weekly wage during the period of the disability; when disability is permanent, the payments would be made for life.

TARGETS of federal activity in field of worker disabilities are state laws covering:



compensation for job injuries

All states compute disability payments as a percentage of wage (66⅔ per cent in most cases), but they all also have one or more limitations, such as maximum dollar amount of payment, maximum number of weeks paid, or maximum aggregate amount.

Because of these ceilings, estimates are that disabled workers now get 42½ per cent of their average weekly wage while losing time from work.

The major effect of the limitless payments would be a sharp increase in costs in most states.

4. The definition of dependents would be liberalized and, in cases of the worker's death, they would receive up to 75 per cent of his weekly wage. A widow without dependent children would receive 50 per cent of the weekly wage for life, but the payments would cease on remarriage, at which time she would receive a two-year bonus payment. Only the New York law requires such a bonus. Here again, limits on aggregate payments would be eliminated.

5. A "State Compensation Insurance Fund" would compete with private insurance companies for employers' business under an optional provision in the model law. Employers providing their own insurance, called self-insurance, by providing satisfactory proof of ability to pay compensation could continue to do so.

This is criticized as a step toward monopoly state funds, which now





operate in seven states—Nevada, North Dakota, Ohio, Oregon, Washington, West Virginia and Wyoming. Of these, only Ohio and West Virginia permit an alternative self-insurance. None of the seven states allows private insurance carriers to compete with their insurance funds for compensation coverage.

Only 11 states have set up competitive state compensation insurance funds such as the model bill proposes. This brings the total number of states with either a monopoly or competitive insurance fund to 18, or a little more than one third of the states. In other states workers are insured for injuries through private carriers or by self-insurance exclusively.

It is feared the suggestion of a model state fund law would stimulate creation of more state funds and lead to socialization of workmen's compensation.

A further argument against monopoly state funds is that they decrease the incentive for rehabilitation of disabled workers which the competitive atmosphere of private enterprise insurance creates. Liberty Mutual Insurance Co., largest private carrier of compensation insurance, has had dramatic results from broad scale rehabilitation programs to reduce the work-loss time of those receiving workmen's compensation. A study of 66 cases, mostly paraplegic, shows savings of approximately $2,452,000 in indemnity payments and medical costs as a result of rehabilitation.

The model law includes many provisions proposed by organized labor, such as unlimited aggregate payments to the disabled, and to widows and dependents in cases of death, and the 66⅔ per cent of wages compensation without dollar ceilings. Yet labor calls the proposed law a phony and too much of a compromise.

Former Rep. Andrew J. Biemiller, AFL-CIO legislative representative, told NATION'S BUSINESS: "The model law would be a good one if it were the result of a good legislative fight. It has too many compromises. A model bill should have the best."

Mr. Biemiller says labor wants sound rehabilitation systems established, with the federal government taking the lead. He also warns, "If state laws are not further improved in the immediate future, serious consideration will have to be given to other approaches."

This warning of possible federal control and socialization of workmen's compensation is also sounded by Department of Labor officials in urging the raising of compensation standards in the states.

Mr. Larson said, shortly before state legislatures convened last year, "We have a lot of lost time to make up, and I think it is time for another big burst of activity in this field."

There was indeed a lot of activity last year. All but three states passed legislation relating to workmen's compensation, according to a Department of Labor survey. Thirty-four increased weekly cash benefits for injured workers; 20 raised benefits for death cases and most major types of disability.

Activity continues this year, although only 17 legislatures are meeting. Workmen's compensation bills were introduced in 13 legislatures, with six states having passed bills at the end of March. Benefit payments were increased in Kentucky, South Carolina, Virginia and Pennsylvania.

Workmen's compensation has grown and improved and the rate of disabling work injuries has lessened over the years under state administration.

More workers, types of compensable injuries and diseases, such as silicosis; medical care, and rehabilitation have been added to the program. The worker death rate has been cut in half and the industrial

(Continued on page 91)

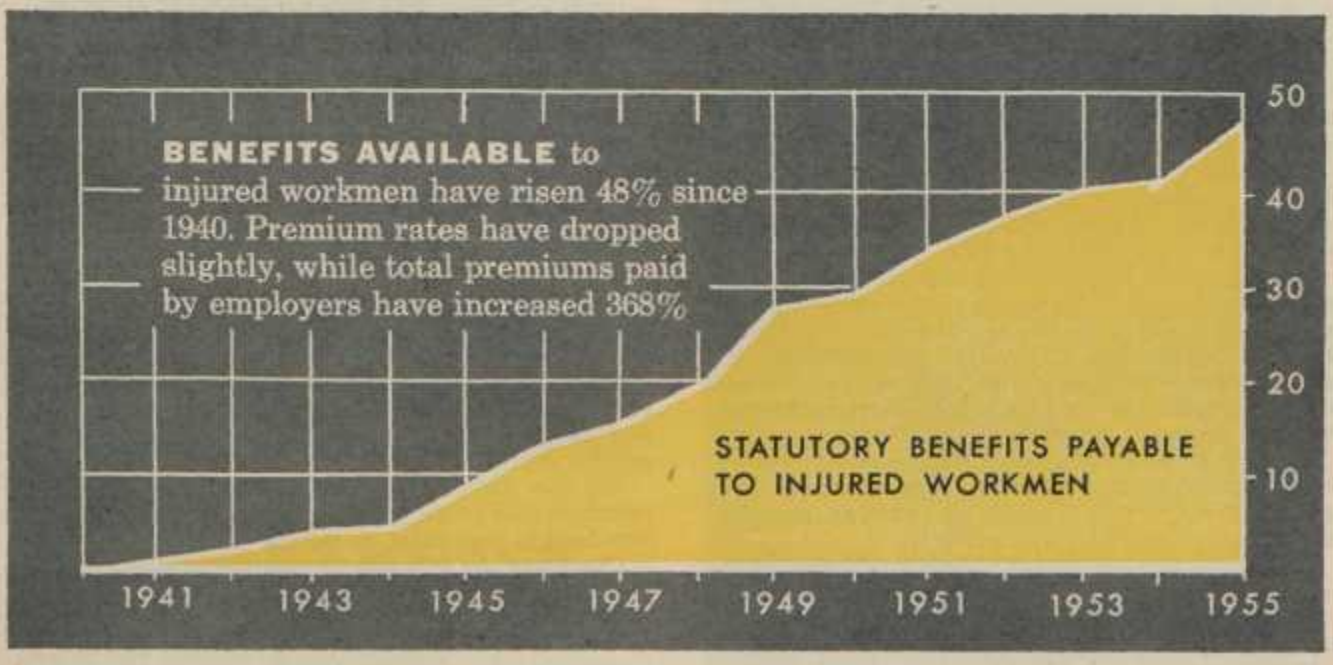


CHART FROM LIBERTY MUTUAL INSURANCE CO. BASED ON FIGURES FROM NATIONAL COUNCIL ON COMPENSATION INSURANCE

Here's outlook for prices

Does the future hold inflation or deflation? That question, common since World War II, can now be answered with considerable assurance

"WHAT'S going to happen to prices?" is a common question today.

The most reasonable answer is "Nothing much."

Certainly fear of further inflation is not justified—unless a serious war breaks out or industrywide and pattern bargaining forces costs to rise faster than productivity. The danger of serious war is remote and there is a way to deal with excessive wage demands.

Individual prices will keep changing—some rising, some falling—but the average price, or prices in general, are likely to continue in the period ahead very much as they have behaved in the past half decade or so. That is, reasonably stable over-all prices are likely for as far as we can see ahead.

The raising of the rediscount rate by the Federal Reserve on April 12 is evidence of the determination to maintain price stability.

Prices of scarce items and items whose supply takes time to increase may rise during a boom. This is especially true of nonrenewable resources like minerals. Again, when the labor market is tight and wage costs are an important element in total cost, prices may tend to rise. Recently, steel, aluminum and copper have experienced upward price pressures. In the same period dacron and nylon, even a few metals, declined. There will be times when more prices are rising than falling; but the opposite also will be true. Wholesale or raw material prices fluctuate more than retail prices—and here we are concerned mostly with retail prices.

Our experience with prices in this generation gives us an exaggerated concern about monetary fluctuations. Until about a decade ago, the fear of deflation and mass unemployment governed our public policy and individual thinking. As a result of the '30's we became obsessed with the idea of permanent, prolonged deflation, declining prices and unemployment.

Then, as a result of the war and the early postwar period, coupled with the Korean War experience, we became obsessed with the idea of enduring, perhaps permanent, rising prices and inflation.

From 1939 to 1952, in most years consumer prices moved up, often rapidly. So we came to talk of the 50 cent dollar and wonder how low it would sink in buying power in the years ahead.

Beginning with mid-1952, however, the Consumer Price Index has never varied more than one per cent, up or down. Today it stands almost exactly where it stood in 1953. This is remarkable stability.

If the experience of these past four years were to continue for another half decade, we might have better balance in our thinking. Or, we might become complacent.

Actually all the great inflationary epochs of our history have been tied in with war and war financing. There are no substantial exceptions. Most, if not all, of the great deflationary periods likewise have been tied in with the aftermath of war. Wholesale prices, based on the best figures we have, were almost precisely at the same average level in 1802-6, 1903-7 and 1926. Consumer prices stood at 65 in 1820 and at 63 in 1861. Despite the Civil War, Spanish War and the gold discoveries of the 1890's, prices reached only 80 by 1900 (1913=100).

World War I doubled consumer prices from 1914 to 1920, and more than doubled wholesale prices. But when the war ended, prices declined drastically.

Although we speak of our 50 cent dollar, in terms of peak post World War I prices, we still have about an 80 cent dollar!

The fact that after World War II we did not experience a major period of price decline and deflation has made many persons wonder whether the great deflation and painful readjustment is still ahead of us.

The best answer is again No.

Inflationary and deflationary forces are always at work within our economy out the causes both of deflation and inflation are better understood today than at any time in our history. This understanding is not confined to a few academic students, scholars and economists. It is widespread among business executives and many alert individuals in government and the general public.

We now understand that inflation is, in a sense, a manufactured product, just as the magazine which you now hold in your hand, or the ink on the paper.

Carelessly, we still talk of inflation as rising prices. But rising prices are simply the evidence of inflation, not the cause.

Webster's dictionary correctly says that inflation is a disproportionate and relatively sharp and sudden

increase in the quantity of money or credit, or both, relative to the amount of trade or business. Again, correctly, Webster says inflation always produces a rise in price level.

But in popular language and even in some policy-making circles, Webster's definition has been telescoped to read "Inflation is a rise in the price level." This change in meaning has had some serious effects. A symptom has taken the place of the disease. The cause of inflation has been neglected. It is not surprising, therefore, to find some groups advocating treatment of the symptom (price rises) by direct means (price controls).

War financing is the chief cause of inflation.

It is difficult for government to raise enough money by additional taxation to meet the costs of a major war. Thus, wars are nearly always accompanied by deficit spending.

Now, there are two ways to finance a deficit:

1. Borrowing the savings of people and of institutions, such as savings banks, building and loan associations, life insurance companies and others by selling government bonds to them.

2. Borrowing from the commercial banks or from the central bank, in our case the Federal Reserve Banks, to cover the remaining deficit.

All major wars are financed in these ways, that is, taxes, borrowing savings and borrowing through the expansion of bank credit (or printing money directly). Only the last of these methods of deficit financing is inflationary.

If the government borrows your savings, or the savings accumulated by a financial institution such as a life insurance company, this constitutes a mere transfer of purchasing power from the savers or savings institution to the government. It does not add to the total purchasing power. The purchasing power turned over to government is subtracted from the purchasing power of the lender or saver. But when the government (or, for that matter, a private individual or business) borrows from the commercial bank, the bank accepts the I.O.U. (bond, promissory note, etc.) from the borrower and makes available to him a deposit or checkbook money. This new money can be used to make purchases, to pay debts, etc.

At the end of 1939, we had $6,400,000,000 of currency and $29,800,000,000 of demand deposits or checkbook money in circulation, a total of about $36,000,000,000. At the end of 1952, when our war and postwar inflation ended, we had $27,500,000,000 in currency and $101,500,000,000 of checkbook money in circulation, or a total of about $129,000,000,000.

Thus we had more than three times as much money in our pockets and in our deposit accounts as before the war. All this money was itching to go to work.

When an individual or a business has liquid assets above a certain point, there is an urge to spend them, to buy some real estate, or securities, or invest them otherwise, directly or indirectly. But, unless bank debts are retired, these liquid assets continue to be owned by individuals and businesses—as they turn over again and again.

Thus, it was inevitable that these extra $93,000,000,000 of currency and deposits that we had in 1952 would work their way into our price and cost structure.

They were the inflation.

Higher prices were the result.

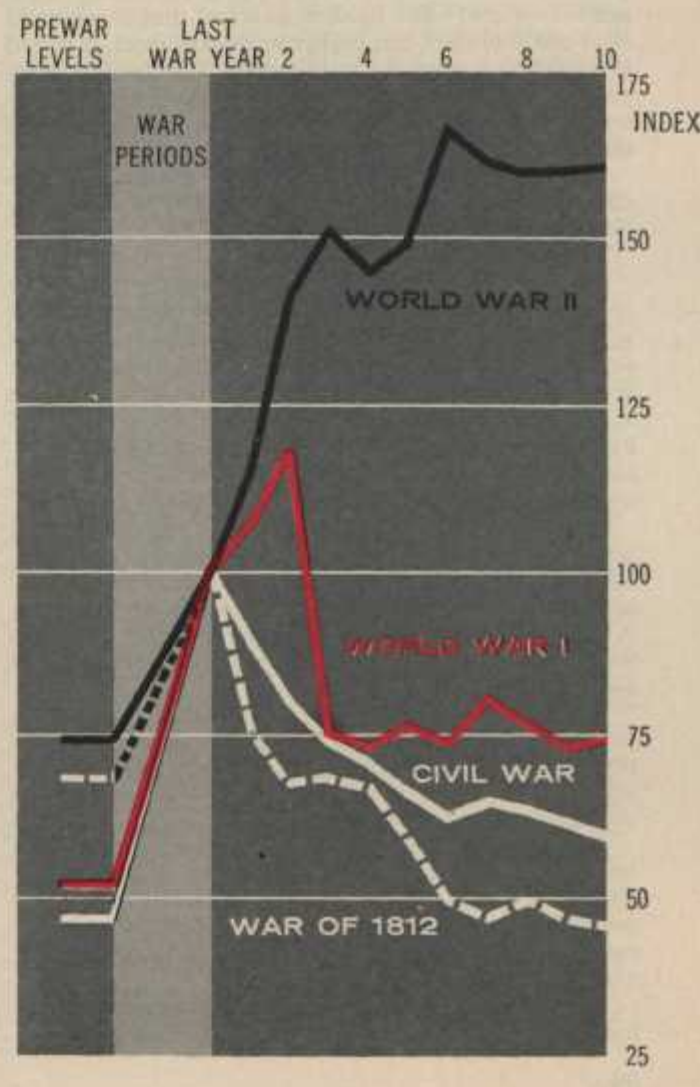
Since the end of 1952, inflation has been stopped and so has the generation of massive quantities of additional currency and demand deposits. In fact, the total money supply—demand deposits and currency—has increased from $129,000,000,000 at the end of 1952, to only $136,000,000,000 this year—a rise of only $7,000,000,000. This, and nothing else, explains our relative price stability in the past few years.

In other words, we now know and understand what causes inflation. It is within our power to curb it and indeed to prevent it completely.

We have also made substantial progress in controlling deflation and mass unemployment. But, here, we cannot be quite so sure of our ground. It is significant, however, that the Chamber of Commerce of the United States, representing a broad cross-section of all American business, recently published a revealing report, after a year of study, entitled "Can We Depression-Proof Our Economy?" While this study warns of many potential pitfalls, it ends up by showing, fairly conclusively, that prolonged and deep depressions are avoidable and will not occur again, unless we take complete leave of our wits—which could be.

The American people have a profound respect for the policy that government shall pay its way as it goes. When debt must be incurred, the feeling prevails that it should be for a productive purpose or essential for national survival. When the emergency has passed, there is a widespread feeling that the debts incurred

Chart of postwar wholesale prices shows that deflation followed earlier conflicts. World War II changed pattern, raises question, "Is readjustment still ahead?"



Barring war,  only present danger of inflation  lies in industrywide wage bargaining plus government full employment policy. This could bring wage-price spiral 

ought to be honestly repaid, or at least that deficit spending shall not become a habit.

So long as we have a healthy skepticism about persistent and prolonged government deficit spending and are willing to pay taxes to meet essential government services, it is safe to say that inflationary times are a thing of the past, as far as we can see ahead.

Debtors, of course, throughout our history, have been inflation-minded. The national government is the greatest debtor today. There are, unquestionably, some politicians and office holders who feel that if we could float our economy to a higher price-cost level, it would be easier to service our public debt. This feeling, however, is overshadowed by the view that we ought to service the debt with honest dollars and not engage in the deception of inflation with its uneven impact.

But modern governments all over the world are in danger of becoming engines of inflation in peacetime for another reason. Here, too, we are not helpless.

What is this new problem?

All modern governments are committed to a policy of guaranteeing full employment or generating the type of climate which will assure reasonably high level employment. Through monetary and fiscal policy, governments can do a great deal to prevent prices from sagging and prevent the development of spending and investing timidity so conducive to depression. Unemployment of human and other resources is always a tragedy. But full employment policy has its price!

Economists and others have widely recognized that any free economic system must have some elbow room. Unfortunately, this means some vacant office, factory and housing space; and it means some unemployment. A dynamic system changes constantly and there are bound to be intervals when our resources are not fully used simply because the economy is dynamic.

However, if government and the public, in general, insist on policies which will prevent all vacancies or prevent all unemployment of capital, labor or any other talent or resource, this may give the economy a persistent upward inflationary bias.

A number of close students of our economic system believe that we now have a number of built-in inflationary forces. The most important of these is this policy of aiming to assure or guarantee full employment. Artificial support prices for commodities may work in the same direction.

Labor unions demanding more and more may spark monetary policies which accommodate the higher cost-price level. The effect of collective bargaining is to destroy competition for jobs. This enables the labor leader to make a wage bargain for the union members as a group. When such bargaining is industrywide, the danger of wage-price spirals, particularly under a government full employment policy, is substantially increased. In fact, barring war, the only present danger of future inflation comes from this situation.

In the period 1940-1955, the average annual increase of employment costs of steel labor, for example, were about eight per cent compounded. Productivity improvements average only about two to two and one-half per cent a year. Such gains in productivity can, of course, absorb a part of the wage increases. But it is impossible for output per employe-hour to be increased at anything like these wage rate increases. Consequently, as competition permitted, steel prices have increased since the end of the war, but nothing like the increase in labor cost. In fact, according to the Bureau of Labor Statistics, from 1940 to 1955 the prices of steel mill products increased by about 120 per cent. In that period employment costs increased by more than 200 per cent. During this period the money supply expanded more than 6 per cent a year compounded.

The belief that part of annual wage increases can come out of profits is almost entirely a delusion. Profit margins are so thin, by and large, that, except for short periods and in special cases, it is not possible to absorb increased wages out of profits. The average profit per dollar of sales has averaged only about four cents—hardly enough to absorb the type of postwar wage increases which we have had.

Collective bargaining and wage demands, in and of themselves, are not and need not be inflationary. If the union demands exceed what productivity increases can absorb, the employer will resist them. He may accept a strike rather than price the product out of the market or out of competition.

However, if, under these circumstances, the government is committed to full employment and adopts an overeasy credit policy to prevent the excessive demands from generating unemployment, then we are in a wage-price spiral—inflation.

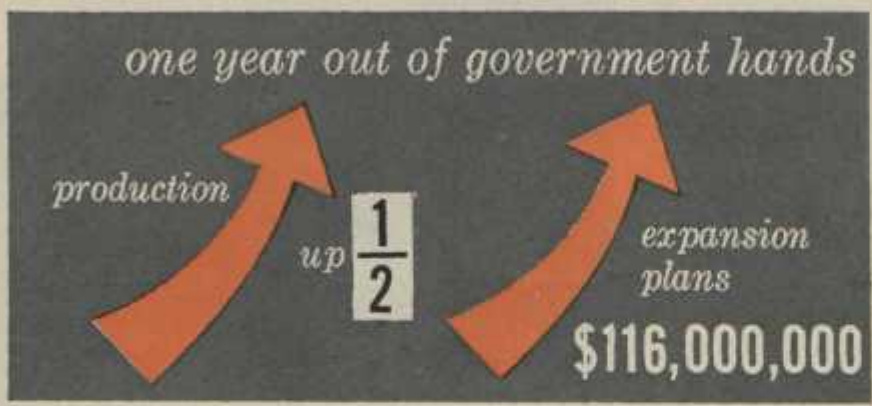
Easy credit will help to flush the economy with additional dollars through monetary expansion. Prices will tend to rise.

This problem of labor demands in excess of productivity improvements is by no means confined to this country. In the Netherlands, employers and workers recently agreed upon a sizable wage increase over 1955, after government consent. Although the government approved the agreement, it stipulated that under no circumstances can these increases infringe on the government's price stabilization policy. The British Government has faced a similar situation. In fact, all countries with an official national wage policy, or in which there is considerable industry-wide bargaining, face this problem. Where individual company or plant labor contracts expire in a given industry at different times, the danger of excessive wage demands is reduced. Any employer who accedes to excessive demands may find his costs rising unduly. The vigor of competition will point out unmistakably to him, as well as to his employes, that costs are out of line.

For this reason, if we are to avoid future inflation, we must do all we can to encourage individual wage settlements. We must avoid nationwide or industrywide bargaining and avoid a so-called official national wage policy. If we do this, the threat of labor demands cheapening our dollars and throwing the burden of excessive wage increases on pensioners and others with lagging income is remote. *(Continued on page 101)*

PRIVATE OWNERS SET SYNTHETIC RUBBER RECORD

Plants freed of government control one year ago tool up to meet a rising world demand for rubber



THE U. S. synthetic rubber producing industry increased its output more than 50 per cent in 1955, the first year in which private enterprise not only operated but owned the complex of war-built synthetic plants.

The industry this month begins its second year of operation under private ownership. It turns the historic corner heady with optimism about the future demand for its product.

The 12 months just ended proved a number of things to the private rubber producers. The most important was this:

You can do business faster and more efficiently when free of the regulations and delays that go with government ownership. The rubber makers suspected this long before the last of the first big block of government-owned plants passed into private hands on April 29, 1955.

But it took last year's unprecedented demand for rubber—man-made, natural and reclaimed—to confirm their suspicions.

The private synthetic operators responded to 1955's huge demand by turning out 970,468 long tons of synthetic rubber—more than the industry had ever produced in a single year, including the rubber-hungry years of World War II. Production in 1954 was about 620,000 long tons.

Total U. S. consumption of new rubber both natural and synthetic (it's used by about 800 fabricators of everything from automobile tires to hot water bottles) approximated 1,520,000 long tons in 1955. In 1956, according to estimates of the Rubber Manufacturers Association, the nation's industries will consume about 1,480,000 long tons, a level of use surpassed only by 1955.

RMA figures that consumption in 1957 will be about 1,485,000 long tons; in 1958, 1,525,000, and that, by 1959, consumption will approach 1,600,000. The industry is proceeding on the assumption that world demand for rubber will be 3,200,000 long tons by 1960, compared to this year's estimated figure of 2,500,000 long tons.

Government officials who have been drafting a new five year projection of the nation's rubber needs and resources believe the 1960 estimate is conservative. President Eisenhower is expected to present the officials' estimate to Congress early this month, pursuant to provisions in the law which made possible last year's transfer of the synthetic rubber industry from government to private ownership.

In face of rising world demand for rubber, America's synthetic rubber makers are pushing plant expansion plans totaling some $116,000,000. This figure does not include substantial new constructions planned or already underway in Europe and elsewhere. Foreign manufacturers bought nearly 100,000 tons of U. S. synthetic last year, and exports are expected to increase this year.

Some men prominent in the U. S. synthetic industry doubt that last year's record domestic production figure could have been attained so quickly and smoothly—if at all—had Uncle Sam retained possession of the plants.

They point out that the private operators had production running at above rated capacity in all of the domestic plants much sooner than had been considered possible when the shift to free enterprise operation was made. The speed with which 1955's demand was met was made possible, these industry leaders say, by eliminating administrative and engineering bottlenecks which existed before the transfers.

Present doubts about the ability of government to run an industry such as synthetic rubber with the flexibility and efficiency of private enterprise arise from years of experience which the private operators had with government control of synthetic rubber production.

Synthetic rubber was an infant when Uncle Sam took charge of it early in World War II. Consequently, few people in the industry had ever experienced anything but government management until a year ago.

The principal criticisms of the government's direction of the rubber program are these: Uncle Sam often was slow to act, too cautious when he did act, and sometimes did not heed the sound advice which industry gave him.

Some interesting comments on these points are offered by a man who knows both industry's and government's side of the story. He is Lee E. Spencer, vice president of the Goodyear Tire & Rubber Company and a former administrator (1951-52) of the Rubber Division, Federal Facilities Corporation. Mr. Spencer says:

"Government is a slow decision maker—as far as running a business is concerned. There were occasions during the rubber program when the federal administrators hesitated to respond to industry requests for increased production quotas to meet rises in demand which industry anticipated because of its intimate association with the users of synthetic and its experience with long-range economic forecasting.

"The final months of 1954 are a good case in point. Then, through the business advisory committee of

(Continued on page 98)

NEW BUDGET DIRECTOR TALKS TAXES



Percival F. Brundage brings definite opinions on debt, spending and defense costs to his new post



BUDGET DIRECTOR *listens to forceful explanation from Commerce Secretary Weeks concerning needs of his department*



HURRY MARKS *Mr. Brundage's schedule. He's off to conference after dictation to his secretary, Mrs. Priscilla Mielke*



PHOTOS BY FRED MARDON

MR. BRUNDAGE, *flanked by Lincoln portrait and bust of Dr. Albert Schweitzer, discusses fine points of new Matador B-61 guided missile with assistant budget director Ralph W. E. Reid*

PERCIVAL F. BRUNDAGE, a businessman with a boundless store of physical energy and a breathtaking range of intellectual interests, celebrated his sixty-fourth birthday on April 2 by moving up to a key position on the Eisenhower team.

Mr. Brundage is President Eisenhower's new Budget Director. His job, which outranks many cabinet posts in power and responsibility, is to make sure the taxpayers get their money's worth for their $66,000,000,000 annual investment in the federal government.

Genial, gray-haired Percy Brundage has impressive qualifications for the task of holding the federal purse strings. He understudied the job for two years as deputy to Rowland R. Hughes, the New York banker whom he succeeded as Budget Director. For ten years before that, he was Senior Partner (chief executive officer) of the accounting firm, Price, Waterhouse & Co.

In one important respect, however, his business background is a handicap to Mr. Brundage in his new government assignment. During the 40 years in which he climbed from a $5-a-week job as office boy to a six-figure salary at the pinnacle of his profession, he learned little and cared less about the art of practical politics. Sitting now at the vortex of Washington's political pressures, he is going to learn the art fast—or he is going to have trouble.

Politics stands almost alone as a subject in which Mr. Brundage has not taken an active interest.

Novelists and television script-writers like to depict the successful American business executive as a man with a one-track mind. But this stereotype is wildly inappropriate for Mr. Brundage. His diverse mind seems to have as many tracks as the Chicago freight yards.

Here is a partial catalog of the interests, good works and hobbies he has found the time and energy to pursue while building a successful business career:

PROFESSIONAL: He has been president of the National Bureau of Economic Research, chairman of the executive committee of the New York Chamber of Commerce, president of the American Institute of Accountants, president of the Society of Business Advisory Professions, and cochairman of the National Conference of Lawyers and Certified Public Accountants.

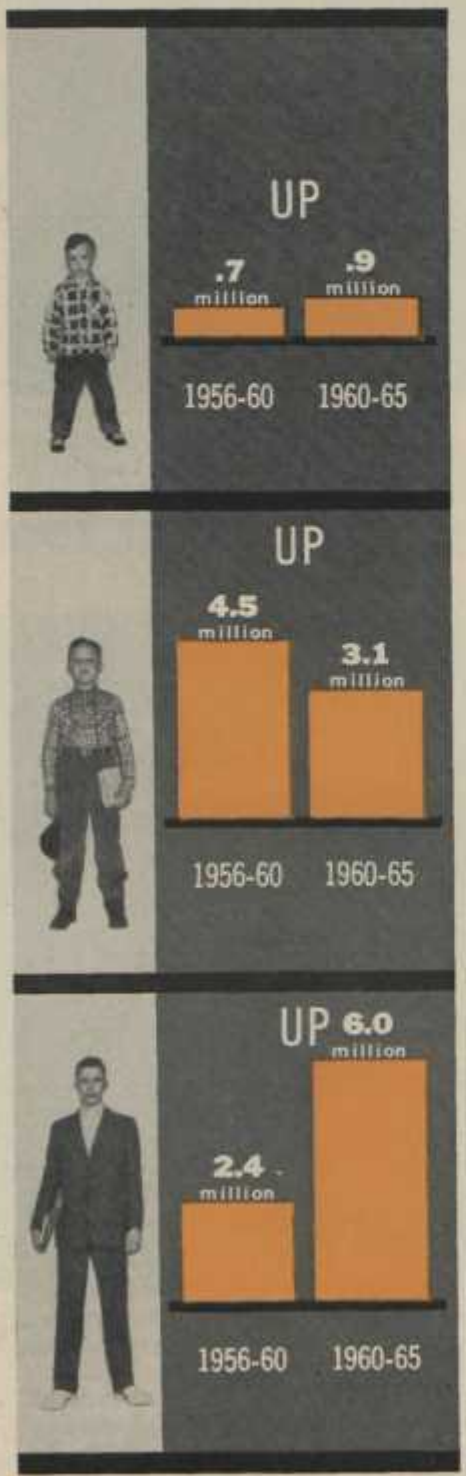
RELIGIOUS: A devout Unitarian, he has served as a director of the American Unitarian Association, president of the International Association for Liberal Christianity and Religious Freedom, and an officer of the Unitarian Service Committee. His personal hero is Albert Schweitzer. He keeps a bust of Schweitzer on his desk and for years has served as head of an American group that provides financial support for the Albert Schweitzer college at Churwalden, Switzerland.

WELFARE: Mr. Brundage is constitutionally incapable of saying no to a worthy cause. He has served as a director of the American Christian Committee for Refugees and of American Relief for Austria; as finance committee chairman of the Youth Hostel movement; as chairman of the Professional and Business Division of the United Hospital Fund for New York City; and as *(Continued on page 104)*

YOUR MARKET IN NEXT TEN YEARS

Total population is expected to increase 25,200,000 by 1965. Here are changes in age groups you can expect in next decade

Bars indicate increases or decreases in size of age groups from 1956 and '60



ROMPER SET (under 5 years)

Births numbered 3,965,000 in 1953, 4,078,000 in 1954, and 4,091,000 in 1955. If baby boom continues (no decrease is in sight) children under five will increase from 18,800,000 now to 19,500,000 in 1960, and 20,400,000 in 1965. Women of child-bearing age will increase during next decade, and births per year are expected to equal or exceed 1955 level.

With higher incomes available for spending, and increased parent awareness of specialized infant needs, the present boom in baby foods, toys, infants' clothing, vitamins and baby buggies will continue, and new romper set markets develop.

ELEMENTARY SCHOOL (5-14)

Already overcrowding America's elementary schools, youngsters aged 5-14 are fastest growing U. S. age group, due to high birth rate of late 1940's. Now numbering 31,800,000, they will increase 14 per cent by 1960, reaching 36,300,000. Growth rate then will slacken, but this group will increase another 8.5 per cent by 1965, and will then number 39,400,000.

Rapid growth of this population segment will necessitate further expansion of elementary schools, and produce bigger markets for children's wearing apparel, school supplies, sporting goods and school playground equipment.

HIGH SCHOOL AND MARRIAGE (15-24)

This group now totals 22,300,000, and includes bulk of our 8,000,000 high school and 3,000,000 college students. By 1960 group will grow 11 per cent, reaching 24,700,000. Becoming the fastest growing U. S. age group, it will reach 30,700,000 by 1965.

Constituting 13 per cent of our population, this group includes 13 per cent of the employed males and 21 per cent of employed females. Only seven per cent of U. S. income goes to those aged 15-24.

Of our 1,200,000 first marriages each year, 63 per cent of the men and 82 per cent of the women are aged 15-24. Rapid growth of group will spur demand for jewelry, apartments, furnishings.



YOUNG MARRIEDS (25-34)

Now numbering 23,800,000, this age group will reflect the low birth rate of the 1930's by declining five per cent to 22,700,000 in 1960, and dropping two per cent further to reach 22,200,000 in 1965.

Although individual incomes of this group are about 10 per cent below their peak, the 14 per cent of our population aged 25-34 receives 23 per cent of the nation's income, and buys more than 50 per cent of the houses sold. Ninety-four per cent of the men and 32 per cent of the women in this age group are employed. Group purchases about 30 per cent of the automobiles sold, and also is a major market for furniture, appliances, food and clothing for children.

PEAK EARNERS (35-54)

Buying power is heavily concentrated here. Group numbers 42,200,000 now, but will increase to 44,800,000 in 1960, and 46,200,000 in 1965. Percentagewise, this growth rate almost equals total population growth during 1956-60, but will be less than half of total population growth for 1960-65.

Making up 25 per cent of U. S. population, this group includes 44 per cent of the employed, receives 48 per cent of the income; includes 58 per cent of persons with $5,000-plus incomes, and 62 per cent of those receiving $10,000 and more. Group purchases about 40 per cent of homes sold, is major market for cars, recreation.

OLDER WORKERS (55-64)

Now numbering 14,800,000 and growing slightly less than total population, this group in 1960 will total 15,600,000. Growth rate then will increase, and group will reach 17,000,000 in 1965.

Although average incomes are about 20 per cent below their peak, persons aged 55-64 constitute a major market, pocket 14 per cent of America's income.

Sixty-six per cent of this group are home owners, forming a major market for home maintenance and repair items. With majority of homes debt-free, most children already educated, a large proportion of this group's income is available for furniture, autos, hobbies, etc.

RETIRED (65 and over)

Growing faster than total population, and now numbering 14,400,000, this group will reach 15,800,000 in 1960, and 17,400,000 in 1965.

Only 38 per cent of the men and 10 per cent of the women are employed, but major income sources of this group are private and social security retirement benefits. Average benefit amounts will steadily increase, and larger proportion of aged will receive them, providing rising income for group. The nine per cent of population now aged 65 and over receive eight per cent of U. S. income, but special income tax provisions for aged make a high proportion of income disposable. Group is big market for home repairs, drugs.—FRED D. LINDSEY

WILL WE HAVE A STEEL STRIKE?

The leaders of the negotiating teams which will meet in next few weeks to consider the key labor contract in steel discuss with Nation's Business the views they will take to the bargaining table



PHOTOS BY WERNER WOLFF—BLACK STAR

STEEL labor costs will go up in July and the price of steel, already rising on some items as a result of other costs, will be forced still higher. Agreement on that seems to be general.

Uncertain are the answers to two questions not only the steel industry but many others dependent on or related to steel are asking:

Just how much will steel wages and prices rise?

Will there be a strike?

Two men will play key roles in helping provide the answers. They are David J. McDonald, international president of the AFL-CIO United Steelworkers of America, and John A. Stephens, vice president-industrial relations of United States Steel Corp.

To get a line on what may happen, an editor interviewed Mr. McDonald in Pittsburgh and Mr. Stephens in New York to add to his information the thinking of the two main principles in the important steel negotiations about to begin. The situation boils down to this:

On wages and prices, the union feels that business conditions and other factors put it in a position to

JOHN A. STEPHENS, *top steel negotiator, hopes for more logic in coming wage talks*



UNION CHIEF *David J. McDonald wants big increase for steel workers without strike*

get more than the 15-cent increase it got last summer. That increase pushed prices up $7.35 a ton. Logically, if Mr. McDonald is right, wages and prices will both go up more than they did a year ago.

As to a strike, both sides feel they have developed a better mutual understanding of their problems and are determined to reach a peaceful settlement, with a strike only a last resort. Mr. McDonald does not look for a strike, is proud of the union's strike record since he became president, and expresses irritation over talk of a steel strike. Mr. Stephens feels an extended steel strike would hurt the economy, but so would the payment of an excessive price to avoid one.

In a few weeks Dave McDonald and John Stephens will sit across a table in a Pittsburgh hotel in charge of union and company teams bent on negotiating a new labor-management contract before midnight, June 30, when the union's two-year agreements with most steel producers expire. This is the twentieth year of negotiations between U. S. Steel and the steel workers' union.

Mr. McDonald and union negotiators will also be meeting separately with representatives of other steel producers in the Big Six—Bethlehem, Republic, Inland, Jones & Laughlin, and Youngstown Sheet & Tube. But the settlement with U. S. Steel is expected to set the pace for the others as it has in every year except 1949 when Bethlehem settled first on a pension plan.

So it is likely that the agreement which comes out of the bargaining led by Mr. McDonald and Mr. Stephens will:

► Set a pattern of higher wages, fringe benefits and other working conditions for about 600,000 employes in basic steel and hundreds of thousands of others in steel fabricating, aluminum, can and other industries in which wages are up for discussion this year. Steel wages, averaging $2.47 an hour, have doubled since World War II.

► Raise steel production costs, thus adding to pressure for higher steel prices and increased costs for steel users.

► Boost the cost of industrial expansion, for which a record $35,000,000,000 has been earmarked by industry for this year. The steel industry itself is spending $1,200,000,000 this year toward expanding production capacity 15,000,000 tons—from 128,000,000 to 143,000,000—over a three-year period.

Although the steel contracts permit a strike on July 1, both sides will strive to avoid a stoppage, which could upset the favorable business outlook for the second half of the year. Nevertheless, many steel consumers are trying to build up inventories just in case there might be a strike and in anticipation of higher prices after the settlement.

An extended steel strike would hurt the economy, John Stephens says, because workers would be laid off in industries dependent on steel, buying habits would shrink, and general business activity would decline. Even so, he says, it would be equally bad for the economy if the steel industry paid an excessive price to avoid a strike.

The steel union neither contemplates nor anticipates a strike, according to Dave McDonald, who recently criticized those who are predicting turmoil in steel negotiations and "beating silly war drums."

Both Mr. McDonald and Mr. Stephens feel that relations between U. S. Steel and the union have improved since the eight-week strike and government seizure of the industry in 1952, and that the chances of strikes have lessened.

"The atmosphere in negotiations seems better, though far from perfect," says Mr. McDonald, pointing out that, since he became president after Philip Murray's death in late 1952, settlements were reached without strikes in 1953 and 1954 and with a strike of less than a day last year.

"Work stoppages and the kind of

(Continued on page 93)

COMING MAJOR DRIVE AGAINST MERGERS

Congress ready to sharpen antimerger tools

Party lines are falling fast in congressional rush to see who can do most to oil government's antimerger machinery

THE FEDERAL government is about to launch a major drive to stem the rising tide of business mergers.

The Eisenhower Administration wants from Congress important new weapons to use against the merger trend—and Congress seems ready to provide them.

These weapons are:

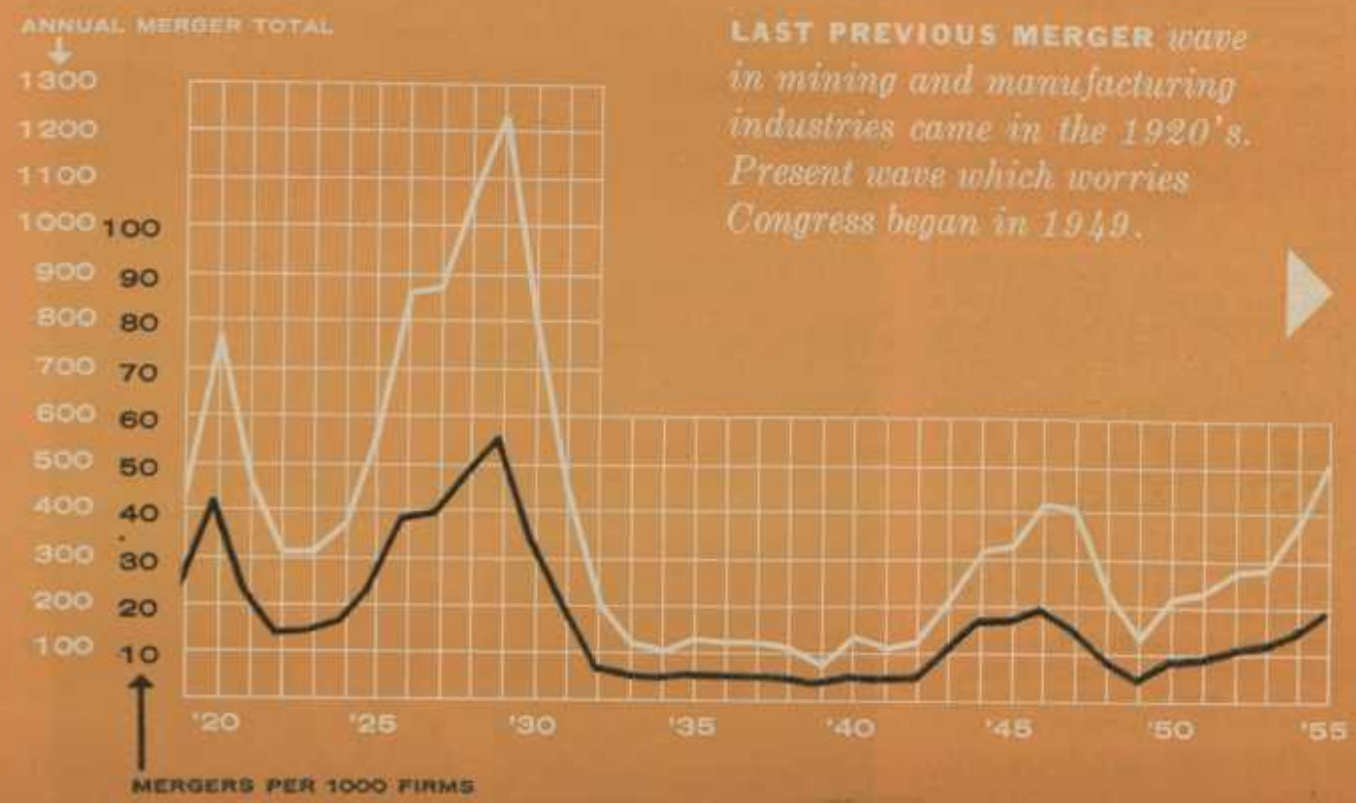
▶ Substantially increased funds for the two chief federal antimerger agencies—Justice Department's Anti-Trust Division and the Federal Trade Commission;

▶ Legislation to strengthen markedly the laws these agencies now use to combat mergers.

This attempt to step up the Government's antimerger program is set against the background of a major merger wave marked not only by an increasing number of mergers but also by a rise in the percentage involving very large firms. Concern over the economic implications of the trend is powerfully reinforced by the election year appeal of a program that can be billed as being "against big business" and "for the little fellow."

Party lines are falling fast in the rush to see who can do the most to oil the government's antimerger machinery.

Backers of the move for stronger government controls concede that practically all mergers are motivated by sound business reasons. Nevertheless, they assert, in many cases the disadvantages for the public from the lessening of competition involved in the mergers far outweigh the advantages to the participating companies. Both the FTC and Justice Department say that inadequate laws and a shortage of personnel now



keep them from doing the kind of antimerger job they consider necessary.

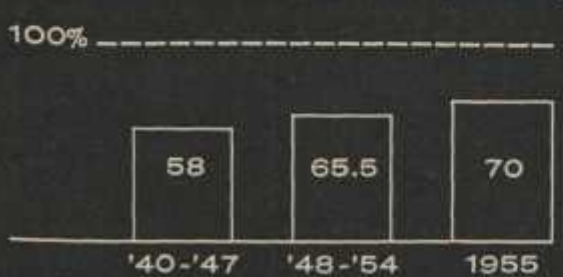
President Eisenhower stated the Administration's position in his January Economic Report to Congress. He admitted that many mergers have a solid economic justification and actually strengthen competition. Others, he said, have neutral effects. But, the President continued, "still others place obstacles in the path of effective competition. Over the years Americans have wisely viewed excessive business concentration, or any other undue concentration of economic power, with uneasiness. To serve the basic American desire for an economy in which business opportunities are increasing and in which economic control is widely diffused, it is desirable to strengthen our antitrust laws and provide larger appropriations for their enforcement."

In similar vein, a House Judiciary subcommittee report recently admitted that many mergers "have helped promote competition by enhancing the market position of weaker units." However, it added, the increasing number of industrial and bank mergers has on the whole "played a significant role in hastening the reduction of competition in many areas and promoting the concentration of economic power."

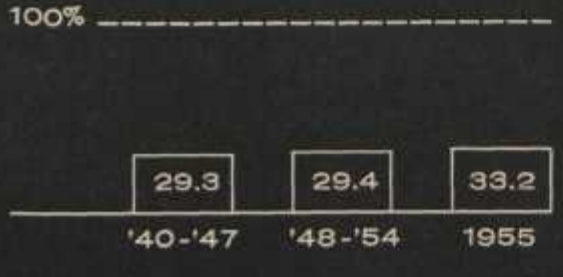
A merger wave is, of course, not a new phenomenon in the American economy. The first such wave occurred in the late Nineteenth and early Twentieth Centuries. At that time many of the great industrial giants of today—U. S. Steel, Standard Oil, American Can, International Harvester—were born. The second wave came in the late 1920's, reaching its peak in 1929. The current upswing started in 1949 and is still building.

The FTC reports that in 1955 there were 525 mergers in the manufacturing and mining fields alone, compared with 387 in 1954 and only 126 in 1949. The 1955 figure was the highest since the 1930 total of 799. More than 2,000 firms disappeared in these two fields as the result of mergers between the beginning of 1949 and the end of 1955.

GROWING PERCENTAGE *of mergers involving firms with $10,000,000 assets or more is shown in FTC tabulation in mining, manufacturing.*



Mergers of firms with more than $50,000,000 assets



In banking, the picture is the same. Last year, some 250 bank mergers were reported, the highest since the 322 recorded in 1933. Again the trend has been upward since the 77 mergers in 1949. From 1949 through 1955, the total was 923.

Many government officials consider the increasing percentage of mergers involving large firms—those with assets more than $10,000,000—to be more important than the increase in over-all totals.

According to the FTC, firms with assets of more than $10,000,000 accounted for 70 per cent of all mergers in manufacturing and mining last year, compared with 58 per cent in the 1940-47 years and 65.5 per cent in the 1948-54 years. In 1955, 33.2 per cent of all mining and manufacturing mergers were executed by firms with more than $50,000,000 of assets, compared with 29.3 per cent in the 1940-47 years and 29.4 per cent in the 1948-54 years.

These are the facts that the FTC and Anti-Trust Division cite in asking substantially more money for their operations in the fiscal year starting July 1.

The FTC wants $5,500,000 for the coming year, compared with $4,548,000 this year, with the entire increase earmarked for antimerger work. The extra $1,000,000, FTC says, will permit the hiring of 164 more lawyers, business analysts, accountants, economists and other workers. This will mean a five-fold increase in the present antimerger staff.

The Justice Department's Anti-Trust Division is asking $4,265,000 for next year, compared with $3,314,000 for this year. Although Justice says the extra money would be used to expand its staff in other anti-trust fields, it points out that this expansion would in turn permit the use full-time on antimerger work of many lawyers and economists who now must devote part of their time to other activities.

Congress gives all signs of being ready to grant the increased funds for both agencies.

While the agencies are getting increased appropriations, the drive to give them stronger antimerger laws is moving forward with bipartisan support.

Several measures are high on the priority list. One would require large firms planning to merge to give advance notice to the government. Another would grant the FTC power to seek temporary court action to block a merger pending a formal complaint, hearing and decision. A third would prevent one bank from taking over another by acquiring its assets instead of its stock.

All three would enlarge the government's present antimerger power under the Clayton Anti-Trust Law. This law declares that no corporation shall acquire the stock or assets of another "where the effects of such acquisition may be substantially to lessen competition or tend to create a monopoly." It is easier for the government to use to combat mergers than the basic Sherman Anti-Trust Law. The latter declares all monopolies or restraints of trade illegal—but these must be an accomplished fact before the government can move against them.

Under the Clayton Act, the government merely has to show that the merger would tend to produce monopoly—not that monopoly is an actual fact.

Under the premerger notification bill already passed by the House and now before the Senate, the FTC and Justice Departments would have to be notified 90 days before any merger or acquisition involving firms with combined assets of more than $10,000,000 was consummated.

The firms would have to supply certain basic information about their officers, sales, markets and plans.

If, in the course of the 90 days, the government were to decide that *(Continued on page 53)*

HOW'S BUSINESS? today's

An authoritative report by the staff of The Chamber of Commerce of the United States

AGRICULTURE

Although milk production is expected to exceed last year's record by another two per cent or three per cent, the consumption of total fluid milk has increased even more. As a result farmers were receiving slightly higher prices for their dairy products while government purchases and stocks have declined.

The possible effects on future market prospects of raising of price supports on dairy products may be found by reviewing the past three years. For the marketing year beginning April 1, 1953, manufacturing milk was supported at $3.74 cwt., 90 per cent of parity; actual average price received was $3.46. CCC bought 11,200,000,000 pounds (milk equivalent) of dairy products at the support price. In 1954 the support price dropped to $3.15, 75 per cent of parity; the average price was $3.16. CCC bought only 5,700,000,000 pounds. Last year the support price remained at $3.15 and the average price rose to $3.19. CCC bought 4,600,000,000 pounds.

As of March 28, 1956, excess stocks of cheese and nonfat dried milk solids were less than one fifth of the peak inventory built up under 90 per cent supports.

Thus it appears that stable and improved dairy farm incomes depend on greater production efficiency, merchandising effort and competitive prices, and a minimum of price-depressing accumulation in government stocks.

CONSTRUCTION

Business expenditures for new plant and equipment are expected to reach $35,000,000,000 in 1956 according to the latest Department of Commerce and Securities and Exchange Commission annual survey. This is 22 per cent more than the record expenditures last year. Highly important is the indication that businessmen plan these increased expenditures at a progressive rate. In the first half the seasonally adjusted annual rate is $34,500,000,000; second half, $35,500,000,000.

All major industries will share this increase, the increased rate in the second half being attributable to manufacturing, railroad, and other transportation.

While the estimates do not segregate plant from equipment expenditures, the impact upon construction will be substantial. The over-all significance is the business optimism these estimates reflect and the promise of continuing growth of the economy through the year.

CREDIT & FINANCE

Now that the big tax strains of March and April have been absorbed, the money market is concentrating upon financing of other economic claims.

With capital spending for plant and equipment planned at higher than ever levels, an indicated reversal of the recent persistent decline in housing construction, continuation of planned consumer spending, and tentative reawakening in automobile sales, the governmental flow of money back into the economy will be readily absorbed.

Industrial capital spending programs show a clear tendency toward acceleration during the latter months of the year.

Reports and surveys almost uniformly point to increasing business and consumer optimism in contrast to the hesitancy prevalent during the fall and early winter months.

DISTRIBUTION

Recognizing the increasing need for more basic research in the distribution field, many trade associations and other organizations are broadening their research efforts to provide better information to guide the distribution businessman.

Increased sales and a more efficient distribution system are going to depend more and more upon basic research of consumer markets and the techniques of distribution.

The businessman today is concerned not with the buying and selling of goods to a static market, but to a new and ever changing market. Population is not only increasing but is constantly shifting. Consumer incomes, attitudes and needs are changing rapidly. Sales emphasis today is toward a mass market with higher incomes and to specialized markets such as the leisure market, the baby market, the youth market and the old-age market.

The retailer and wholesaler must be aware of the nature and impact of these changes and adjust his merchandising efforts accordingly. Research can provide the basic information needed.

FOREIGN TRADE

Recently released data indicate that a relaxation of foreign trade restrictions played a possibly significant part in our record $14,000,000,000 total of nonmilitary exports last year.

Should this trend continue—and the improved condition of the trading world hints that it may—a yet greater expansion of our foreign trade is possible. Moreover, this closer cooperation among free nations in matters of trade should make more difficult the communist bloc's current attempt to penetrate the free world by economic means.

The figures just made public by the State Department show that in 1953 only three European countries had any significant degree of dollar import liberalization, whereas 15 have now in varying degree freed U. S. imports from administrative control.

GOVERNMENT SPENDING

Proposals for new federal spending in the 1957 budget included several projects for new or expanded federal aid programs—and the end is not yet in sight, for still other pro-

outlook



AUTHENTICATED NEWS

grams are going to be put forward. Yet the ability of states to do for themselves has materially increased.

State revenues and expenditures have been climbing rapidly in recent years.

Figures just released by the Bureau of the Census for 1955 show that these have gone up by more than one third since 1950.

Revenues, for example, have increased from nearly $14,000,000,000 to almost $19,700,000,000 between 1950 and 1955. This development of increased resources by the states refutes claims that state tax resources are inadequate. Yet such claims are usually put forward as the basic argument to justify increases in federal aids.

It is of particular interest to note the increases in state spending for activities where increases in federal aid are proposed. For example, expenditures for state grants for local schools increased by 50 per cent, from around $2,000,000,000 to about $3,000,000,000.

LABOR

Recommendations of the new report of the Senate Labor Subcommittee on Pension and Welfare Funds would require administrators and trustees of all pension and welfare funds to disclose financial information to a federal agency.

Congress now must decide whether and what information should be disclosed and to whom. Employers who bargain on a benefits basis consider it ill-advised to reveal cost data concerning their plans.

Unions want information on the benefits type of program and can obtain proper information at the bargaining table.

Employers feel that it isn't a function of government to aid unions which have failed to attain their bargaining objective. A union official knowing the amount held in reserve, particularly if that amount is more than he deems adequate, could use such information to press for increased benefits from employers who have sums set aside for future requirements.

There is approximately $26,000,000,000 presently in pension and welfare fund reserves, and an additional $8,000,000,000 a year is being contributed. Any legislation on this problem will have an impact on the economy generally.

NATURAL RESOURCES

A perplexing problem for industrial production and expansion today is the growing shortage of nickel. According to the 1956 government prediction, 235,000,000 pounds of nickel are needed to meet the minimum nondefense requirements of industry.

Whether industry will get this much nickel depends on the government stockpiling program.

There is a way that industry can help to conserve this scarce material. Over the past ten years, an average of 51.38 per cent of all nickel has gone into the manufacture of stainless steel and non-ferrous materials. Of this, a large part is in plate form. There is on the market today a "clad plate" which is a combination of nickel, monel, inconel or stainless steel, integrally bonded to a steel backing plate by rolling or other means.

Clad plate can be hot- or cold-formed, cut into any shape by an oxy-acetylene cutting torch, welded or machined.

The savings possible in vital nickel by using clad plate are tremendous.

TAXATION

Just three months ago it was an odds-on bet in Washington that the Congress would recognize the election year advantages of an individual income tax cut. The situation is now almost reversed.

Members of Congress are amazed at the scarcity of demands for tax relief in their mail. Instead there are exhortations to hold the budget line and reduce the federal debt. And this in the face of revenue collections well above the January predictions of the Treasury. As of March 23 there was a small cash budget surplus for the first time in this fiscal year. On the same date a year ago the cash deficit was more than $4,000,000,000. For all of March net revenues reached $12,351,000,000, the highest collections in history for a single month.

Just two months before, there was a cash basis deficit of more than $8,000,000,000.

Federal spending so far this year has also increased but only about half as fast as revenues and there has been a recent tendency for this increase to taper off.

There is clear prospect now for a sizable surplus at the year end.

TRANSPORTATION

Public transit is having a rough time.

Although urban population in the United States has increased 12 per cent since 1946, revenue transit passengers have declined 48 per cent. While operating income has gone down 43 per cent in spite of average fare increases of 106 per cent, operating costs have gone up 130 per cent.

Transit authorities believe that one of the answers to their problem is increased speed of service. If potential customers can get downtown more quickly for less cost by transit than they can by private automobile, they'll ride transit.

To speed up transit a number of cities, among them Nashville and Toledo, have restricted curb lanes for transit use exclusively. In some cities parking has been banned during rush periods; turning movements have been eliminated; truck loading and unloading has been restricted to off-peak periods, and signals have been timed to favor transit.

This community cooperation is based on the realization that, if local transit is to continue, it must be recognized as an important asset.

States are buying their own improvements

Without waiting for Congress to raise highway or school aid, states are boosting spending for these and other government services

AMERICANS will pay more for—and get more—state government in the years ahead.

Not waiting for Congress to approve federal school or highway aid, states are boosting spending for these and other purposes.

A new Census Bureau survey shows that states, during the past year, have boosted their spending to

- $5,066,000,000 for education;
- $4,810,000,000 for highways;
- $2,647,000,000 for public welfare;
- $1,464,000,000 for hospitals and health;
- $2,411,000,000 for employe retirement, unemployment and workmen's compensation.

Other state government expenditures include: $476,000,000 for public safety; and $2,714,000,000 for other purposes. States also spent $770,000,000 on liquor store operations which brought in $962,000,000 for 16 states. All major categories of state spending rose an average of 8.9 per cent.

The boost in highway expenditures, however, averaged an impressive 16.6 per cent.

For schools the average increase was 8.8 per cent.

All together, state expenditures totaled $20,357,000,000. The previous year's spending was $18,686,000,000.

General revenue in the past year has risen in 43 states. Expenditures have been boosted in 45.

Revenue for all states failed by $690,000,000 to cover gross expenditures, including capital outlays.

At the same time, however, the states improved their cash and security holdings by $990,000,000.

The census survey shows that state revenue and borrowing reached

PER CAPITA REVENUE, EXPENDITURE, AND DEBT, BY STATE: 1955

Source: U. S. Bureau of the Census

State	Total general revenue	Total general expenditures	Total debt
All states	$101.00	$107.13	$ 69.84
Alabama	85.11	93.11	22.97
Arizona	128.82	127.36	4.76
Arkansas	91.62	90.63	65.84
California	147.87	146.92	68.82
Colorado	136.70	129.82	15.66
Connecticut	99.97	106.16	165.33
Delaware	175.26	181.83	344.92
Florida	116.35	116.34	25.99
Georgia	95.70	109.44	64.56
Idaho	114.76	128.33	3.92
Illinois	76.23	75.93	33.26
Indiana	81.74	91.92	75.71
Iowa	105.18	104.12	10.92
Kansas	103.05	109.87	85.60
Kentucky	76.99	78.44	23.16
Louisiana	187.12	164.97	79.58
Maine	99.40	126.28	131.50
Maryland	97.45	110.97	177.47
Massachusetts	95.83	110.52	167.39
Michigan	118.67	125.98	73.75
Minnesota	114.53	111.17	26.92
Mississippi	89.82	94.49	42.79
Missouri	84.09	83.00	2.69
Montana	$123.32	$129.01	$ 70.09
Nebraska	82.76	79.07	2.49
Nevada	178.92	176.05	6.80
New Hampshire	81.65	105.87	76.86
New Jersey	65.19	88.65	161.67
New Mexico	182.92	166.07	36.56
New York	94.42	112.09	96.99
North Carolina	96.77	101.10	70.29
North Dakota	141.09	136.13	34.41
Ohio	86.49	102.84	57.05
Oklahoma	144.98	144.09	89.40
Oregon	117.28	140.82	108.40
Pennsylvania	76.09	87.34	109.55
Rhode Island	92.91	97.52	77.56
South Carolina	96.82	110.85	91.84
South Dakota	109.40	111.77	.29
Tennessee	85.08	84.13	34.55
Texas	91.61	79.66	16.43
Utah	113.70	125.99	5.92
Vermont	101.69	112.68	19.98
Virginia	80.33	85.79	31.36
Washington	154.30	163.26	92.01
West Virginia	87.23	102.83	141.16
Wisconsin	98.09	99.78	1.30
Wyoming	202.30	184.24	12.70

business really *moves in the BIG RIVER region



If shipping facilities are a major factor in your business, your worries are over in the Big River Region. Here, industries of all kinds find rail, truck, air and river transportation at their fingertips.

In fact, this hustling seven-state area served by Texas Gas is on the move in every direction. Established business is expanding. New business is breaking ground every day. In only four years — 1950 to 1954 — personal income has been boosted more than a billion and a half dollars. It's a grand region to do business *from* and to do business *in*.

We know, because Texas Gas is growing in the BIG RIVER Region and is helping the Big River Region to grow, too. The Company will increase its investments in pipeline facilities to more than $206,000,000 in 1956 to serve the needs of its growing list of customers.

You are invited to share in this growth. Look into it *now!*

*23 major rail systems

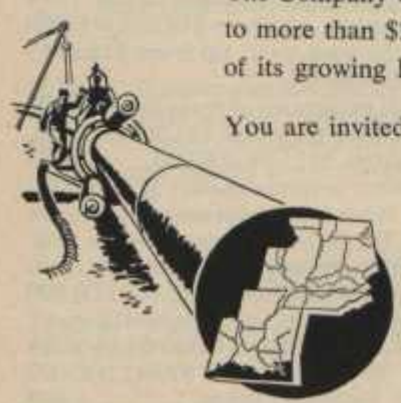
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SERVING THE *Big River* REGION

General Offices Owensboro, Ky.

"Do you mean to tell me —?" the President began . . .



The President takes a second look

"As I see it, then—" the President began ticking points off on his fingers "—the customer's credit rating is in a low bracket. Under the terms of our policy with American Credit Insurance, this gives us a relatively low coverage. This, in turn, doesn't warrant our shipping the order. Is that right?"

"That's right, sir." The Credit Manager sounded almost apologetic. "You see, in the policy, a schedule of ratings and coverages is established. A certain rating—a certain coverage. It's automatic."

"Then why," the Sales Manager demanded almost truculently, "do we have credit insurance at all?"

"Accounts Receivable," said the Treasurer, "represent our second largest asset. We want to protect it. Credit Insurance keeps our loss ratio low."

"That's true, sir," the Credit Manager put in. "We have decreased our loss ratio these last few years through our coverage by American Credit Insurance. And up till now—" he couldn't suppress a note of bitterness as he glanced at the Sales Manager "—we have been able to increase sales in areas we couldn't have touched before."

"Yeah," the Sales Manager said, "but what it comes down to is that we lose the order. I say we ought to take a chance!"

"It's not a chance. It's a gamble," said the Treasurer.

"That settles it." The President put a real note of regret in his voice as he finished: "Since we can't take the chance, we'll have to lose the order."

"It's almost time for the Board Meeting. We'd better go," the President said ten minutes later. "Most of the others will be there by now." He held the office door as he and the Treasurer filed out. "What do you think of those two?" he asked as they walked down the corridor.

The Treasurer smiled his neat little smile. "A good Sales Manager's got to be willing to gamble. A good Credit Manager's got to be willing not to. It takes courage for both."

He pushed open the Board Room door, then both men turned as rapid footsteps echoed in the quiet corridor.

"I'm glad I caught you." The Credit Manager was apologetic again, but with a difference this time. "Sir, I want to ask you now to reconsider the decision on that account!"

"Do you mean to tell me—?" the President began, but the younger man went right on, while others in the Board Room turned to watch the tableau at the door.

"I decided to take a second look at our policy. Then I called our American Credit Insurance agent and confirmed it. The account can be covered for more under our policy. All we do is obtain an endorsement, approving the account by name. After they investigate it, of course. All I need now—" the Credit Manager paused for breath "—is approval to pass the credit when the endorsement is obtained!"

"You - decided - to - take - a - second—" the President spaced out his words, then suddenly chuckled. "Well, I guess I can take a second look too! You've got the approval!"

• • •

Obtaining greater coverage on a low-rated account is one example of the flexibility of American Credit Insurance. Among the 12 major benefits of Credit Insurance, many more are sure to accrue to your advantage. For your copy of a free booklet, "*A Preface to Profits*," write American Credit Insurance, Dept. 41, First National Bank Building, Baltimore 2, Maryland.

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COMPANY OF NEW YORK

STATES

continued

$21,821,000,000 in the year just past. The record figure is up from $21,073,000,000 for the previous year.

Total state indebtedness, meanwhile, also reached a new peak of $11,198,000,000—still only four per cent as large as the federal debt. The figure rose from $9,600,000,000 at the end of the previous year. Of the total, $10,950,000,000 is long-term debt.

State indebtedness compares to a federal debt of $280,100,000,000, which is expected to be reduced to $274,400,000,000 by the end of the fiscal year—the same figure as of the end of the previous fiscal year. The federal budget, though balanced by a small margin, is expected to show the first surplus since 1951.

The new state indebtedness peak was reached by borrowing $2,155,000,000 in the course of the year, while paying off $550,000,000.

Debt rose in 29 states, according to the Census survey, and was reduced in 19.

Significantly, states have more cash and security holdings than debt. A new peak was reached with $26,526,000,000, up from $25,536,000,000 for the previous year. Cash and security holdings average $165.44 for each person. Average per capita debt for the states is $69.84.

These funds, however, are largely earmarked, with $1,457,000,000 being applied toward debt reduction and cost. Some $15,310,000,000 is insurance trust. The rest, $9,759,000,000, includes a considerable amount of money held temporarily while waiting for school and highway construction and other projects to begin.

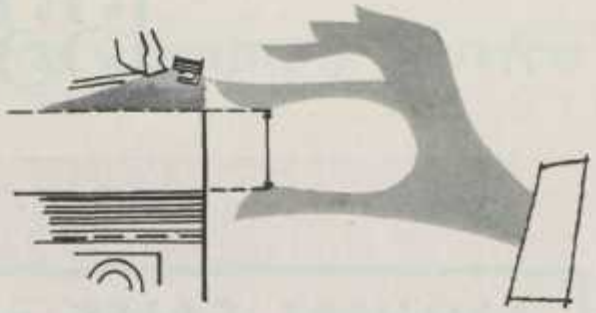
These funds have been increasing rapidly in recent years. Cash and securities being held by states have increased $6,935,000,000 in five years. For the same period, state spending increased $5,275,000,000. Revenue increased $5,764,000,000.

Total state revenue, aside from borrowing, came to $19,667,000,000 for the past year, up from $18,834,000,000 in 1954.

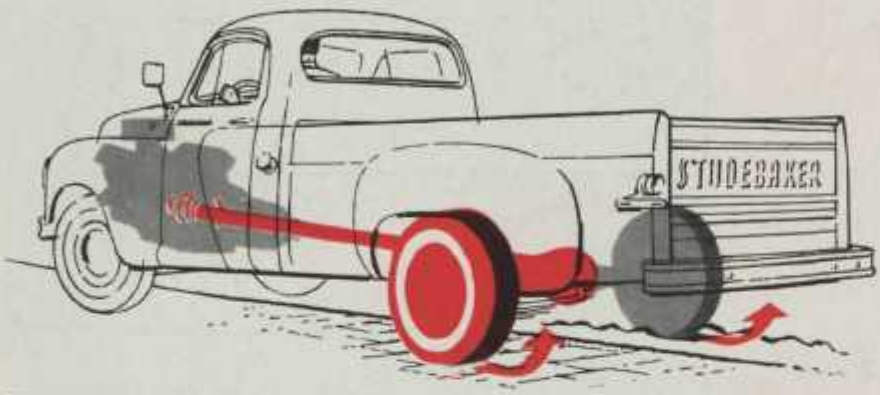
All categories of revenue are higher. Taxes provided $11,597,000,000, up from $11,089,000,000.

Other revenue shows: $2,989,000,000 from intergovernmental sources ($2,762,000,000 of it from the federal government, $226,000,000 from local governments); $1,608,000,000 from charges and miscellaneous; $962,000,000 from liquor store sales (in 16 states); and $2,511,000,000 from insurance trusts. END

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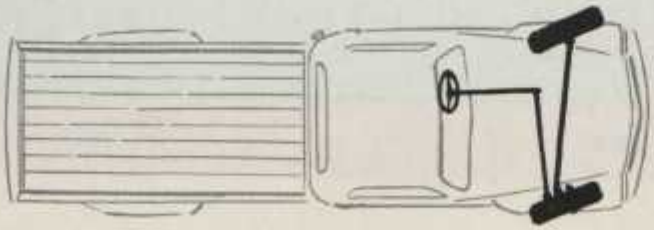


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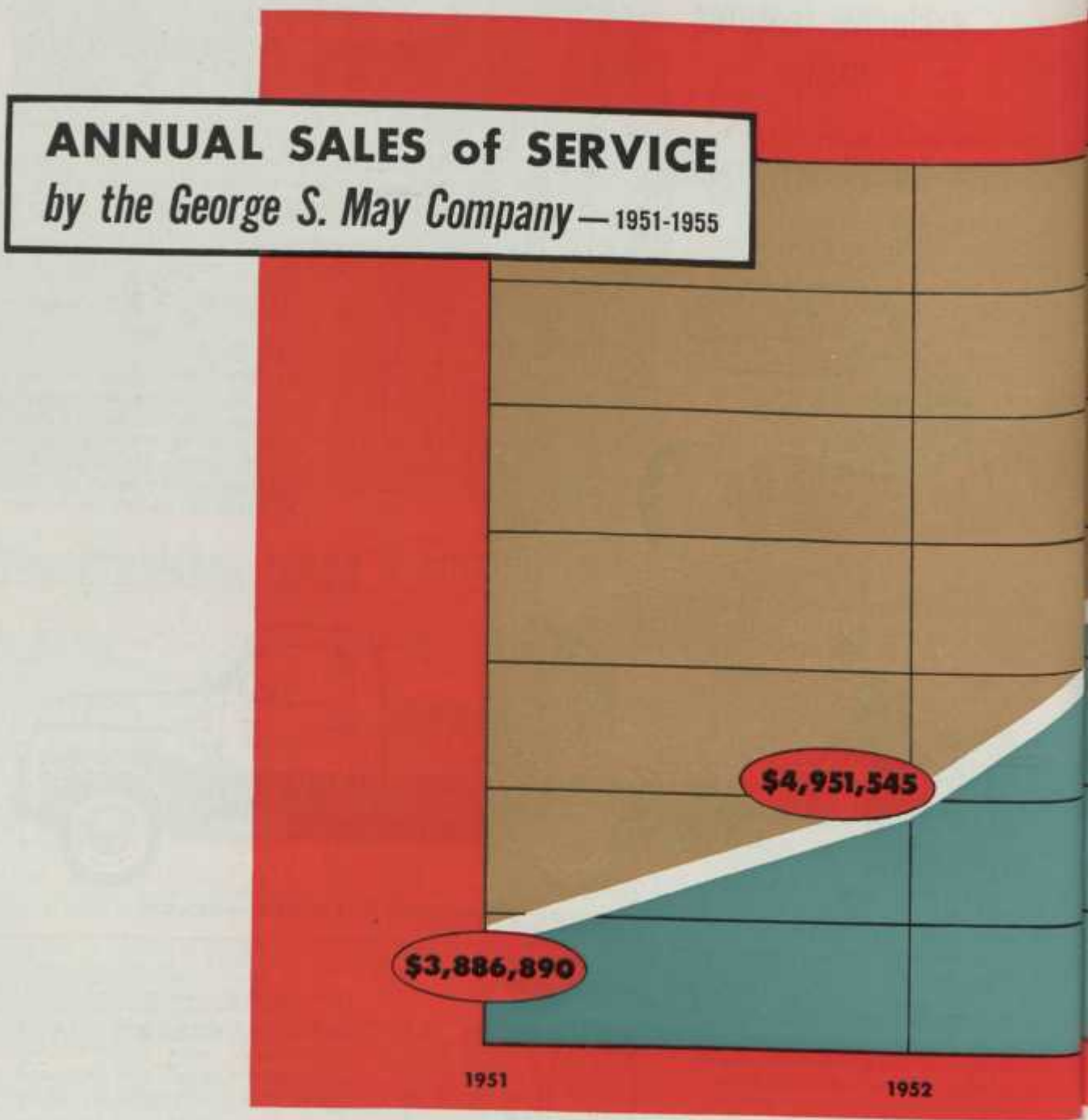
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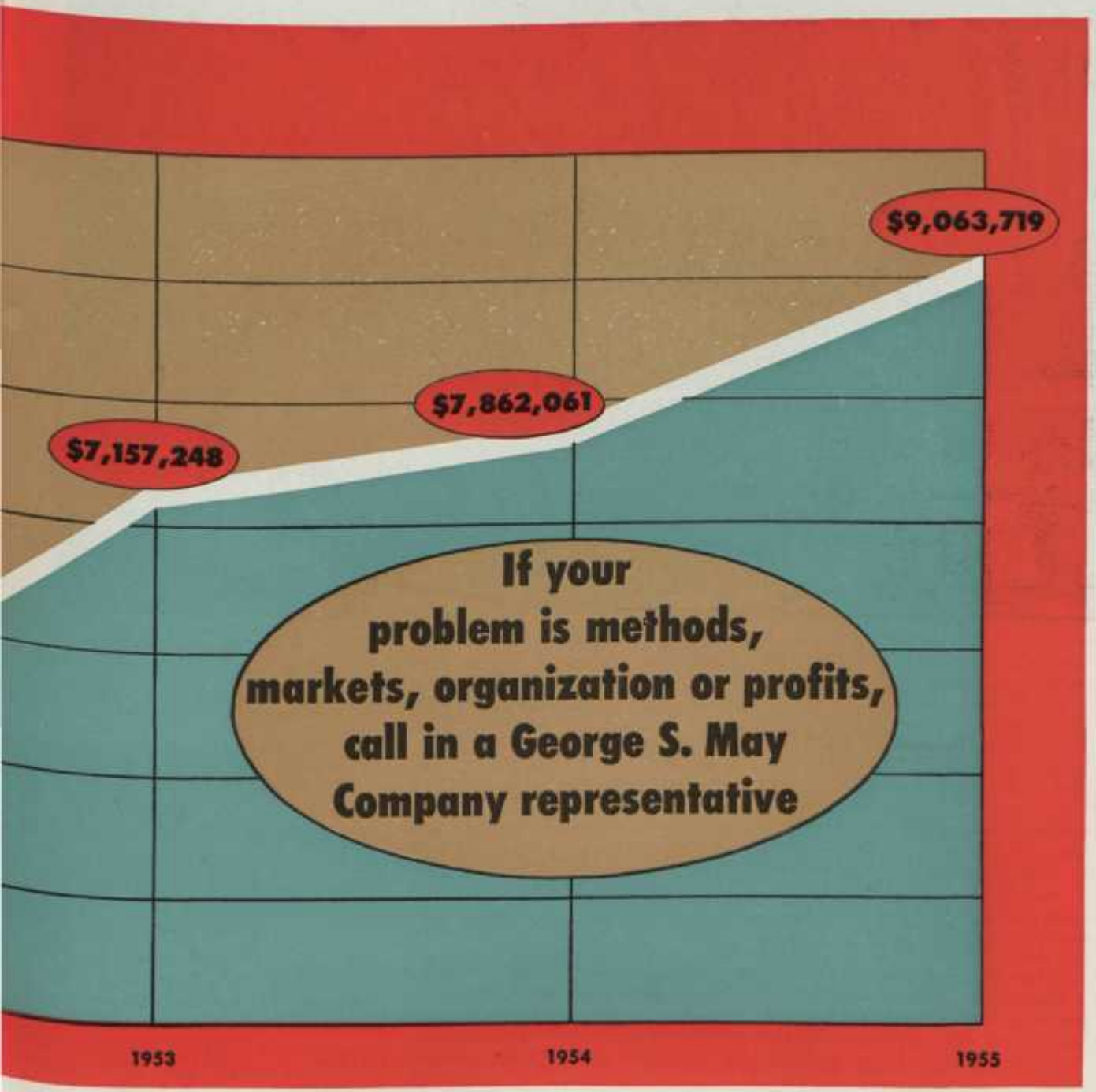
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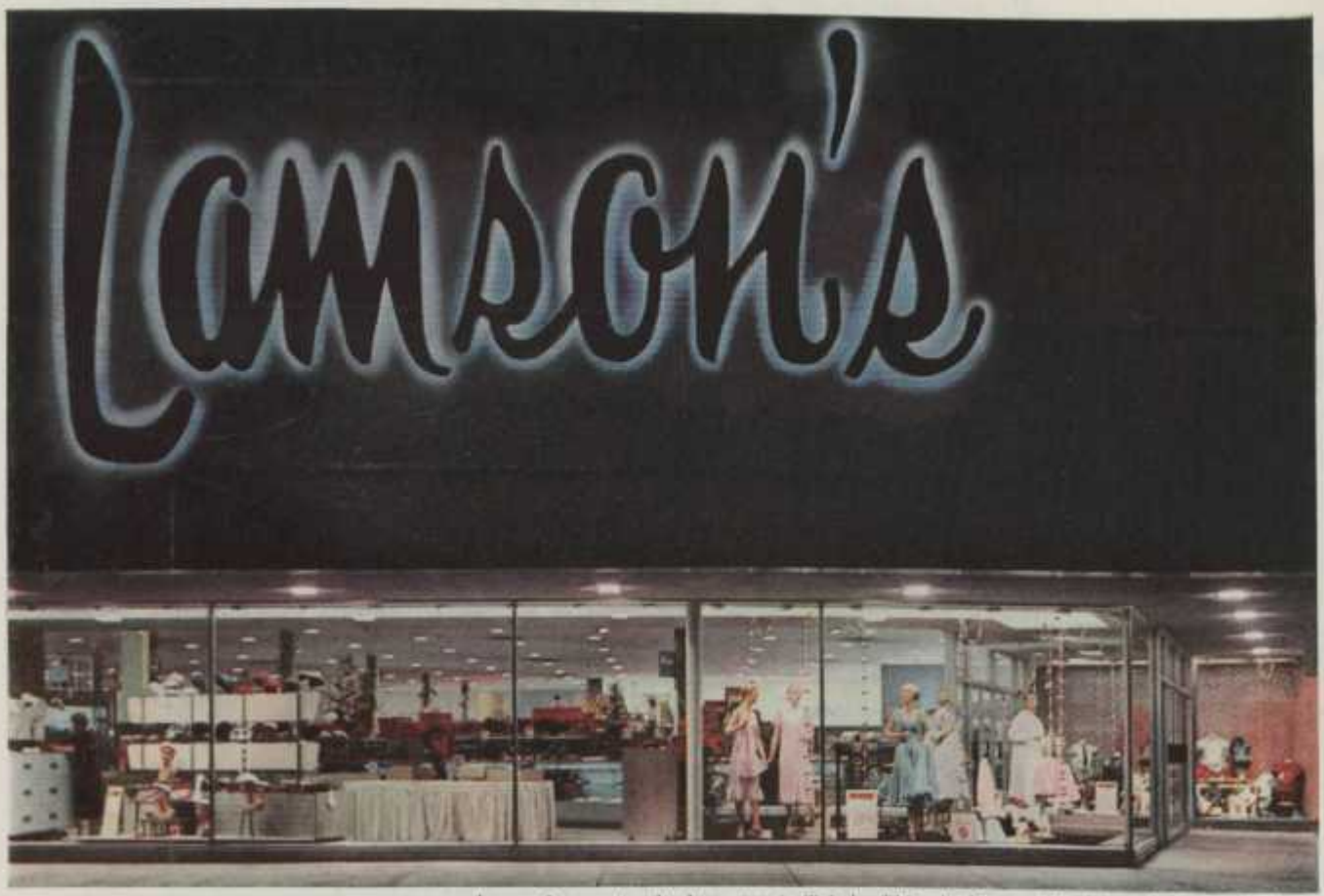


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DRIVE ON MERGERS

continued from page 43

the merger was probably illegal, it could ask a court for a temporary injunction, pending a final determination of the case. Failure to seek this injunction during the 90 days would not bar the government from trying to dissolve the merger later. Also, the government would still have the right to move under existing law against smaller mergers not covered by the notice provision.

The bill would make certain exemptions from the premerger notification—for example, a case in which one company is acquiring assets to be used as stock in trade or to be sold in the ordinary course of its business, or where a firm buys a limited amount of stock in another firm for investment purposes only. The measure would also permit the government to waive the 90-day waiting period in emergencies—an imminent bankruptcy, for instance.

Failure to notify the government or to provide any extra information the government might require would be punishable by fines of from $5,000 to $50,000. The bill specifically covers airlines, railroads and other industries already subject to regulation by government commissions such as the Interstate Commerce Commission, Federal Communications Commission, and Federal Power Commission.

Support for this legislation has been marshaled by FTC and Justice complaints that they must now get their news of mergers by reading trade papers and magazines, or by protests from competitors of the merging firms. Often they don't learn about important mergers until after they've occurred, and they never find out about some others. The proposed measure, the agencies argue, would bring all big mergers to their attention before they occur. It would also guarantee the government detailed information that companies now often are reluctant to supply.

The antitrust agencies say it's important they have a chance to attack a merger before it is consummated. Every merger case brought by the government, they say, drags on for months or even years. If the merger has already taken place before the government steps in, the allegedly harmful effects on competition go on for years before the government gets the relief it seeks. Moreover, the assets of the firms are by then completely mingled and most judges are reluctant to attempt to put everything back as before the merger.

The length of time a case can drag on is illustrated by the FTC complaint against Pillsbury Mills. The government charged—in June, 1952—that Pillsbury violated the law by acquiring two leading competitors. The case is still pending in the Commission, and after the FTC finally acts, it will probably be in the courts another year or two. Meanwhile the mergers are in effect.

Opposition to the premerger notification bill is substantial. For example, Prof. S. Chesterfield Oppenheim, cochairman of the Attorney General's recent Committee to study the Anti-Trust Laws, sharply differed with his cochairman, antitrust chief Stanley N. Barnes. While Mr. Barnes strongly backed the bill, Professor Oppenheim declared that it was "tantamount to a licensing requirement and repugnant to the fundamentals of freedom of making managerial decisions under private competitive enterprise." He said mergers are a customary and normal way of expanding a business enterprise, and warned that it would be "self-defeating if the government should try to suppress the urge to merge when it is based upon normal business needs promotive of an expanding economy."

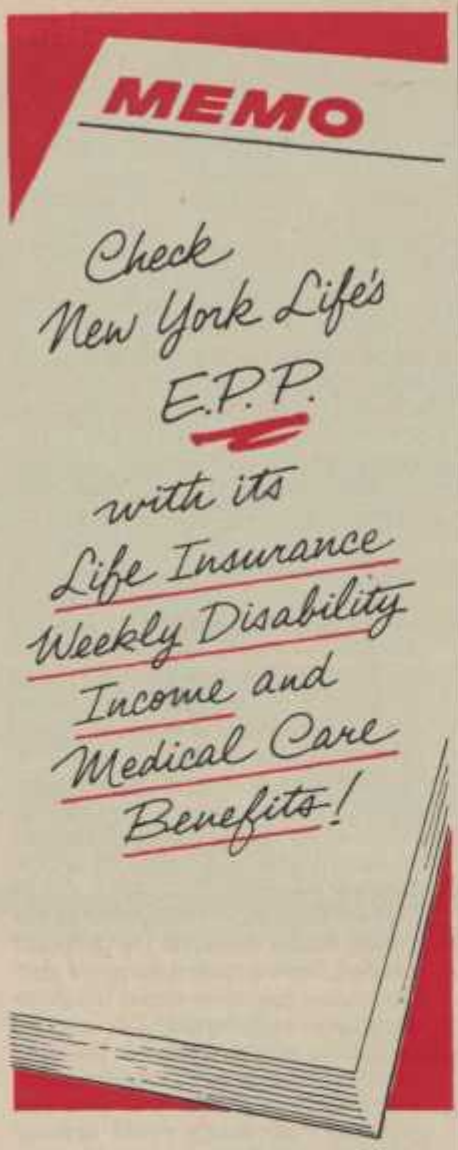
The Chamber of Commerce of the United States declared the proposal entailed "unwarranted forms of governmental regulation under the guise of antitrust enforcement." It said the legislation would empower the government to block any merger regardless of the motivation, and that this authority "obviously could operate even to forestall mergers which help promote competition."

However, the premerger notification bill, like the increased FTC and Justice appropriations, seems to be meeting with congressional favor.

Another proposal making good headway through Congress would give the FTC power—in cases not covered by the premerger notification bill as well as in covered cases—to seek a preliminary injunction against a merger, pending formal complaint and final decision.

The House Judiciary Committee, in approving this proposal, said there would be no sense in requiring parties planning to merge to notify the FTC if the agency could then do nothing to prevent the merger. The committee also pointed out that Justice has this authority now and that even private parties can now go to court to enjoin a proposed merger they feel might injure them.

Another proposal would tighten federal control over bank mergers. Under present law, the government can move against bank mergers that result when one bank acquires the stock of another, but can do nothing



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DRIVE ON MERGERS

continued

when the merger is accomplished by asset acquisition. Backers of the proposed change claim that this situation resulted from an oversight when Congress tightened the law in 1950 to cover asset mergers in other types of business and it inadvertently omitted bank mergers.

Some politicians often imply that mergers are generally bad. Studies by Congress, administration agencies and private groups are loaded, however, with evidence that nearly all mergers are based on sound business reasons and that a good many have great advantages for the consumer.

Probably the major reason for mergers is a firm's need for additional capacity. It is often cheaper or easier to buy an existing plant, store or other facility than to build a new one. This method has the added business advantage that the total capacity of the industry is not increased more than needed.

Often a firm buys another in order to get established quickly in a new area or new industry. Or it may need the sources of raw materials or components owned by the acquired company, or vital processing or distributing facilities.

Some firms want to hedge against the ups and downs of their own industries by diversification and find the merger route the easiest way to carry out this policy. Some large firms take over smaller ones to get patents, brand names or even management personnel.

Small firms frequently sell out because they can't raise the money they need for expansion and modernization, or for research programs to improve their products. Certainly many small firms merge with each other to compete better with larger ones. And some mergers, of course, take place because the acquired firm was headed for the rocks.

Taxes are a big factor in many mergers. A profitable firm may buy up one operating in the red because it can use the acquired firm's losses to offset its own profits on its tax returns. The owners of small, closely held companies often sell out to lessen the impact of the estate tax on their heirs, or to take out their profits at the lower capital gains tax rates rather than at income tax rates.

Banks frequently merge in order to diversify their activities—for example, a bank engaged largely in industrial or consumer lending may take over one investing mainly in real estate. Other banks find mergers the simplest way to get branches in communities they are not already serving. Frequently smaller banks find themselves without promising young officials to take over when aging officers retire, and so sell out.

Thus, as the report of the Attorney General's Anti-Trust Study Committee states, "a merger as such involves no necessary connotations of coercion, dominance, or lack of effective competitive pressures." The report declares that mergers "may ease from the market companies which have failed in the competitive struggle and thus prevent potential bankruptcies," "may create a company better able to compete with larger rivals," and "may mean economies which in a competitive market may spell consumer savings."

Then why all the fuss about mergers? The FTC, in a special report on mergers, puts it this way: Mergers must be judged not only on the business reasons of the parties but also on whether the mergers might "have such adverse effects on third parties and competition generally as to transgress public policy."

This, says the Commission, "involves economic judgments of a high order, which in turn requires consideration of factors other than the business prudence of the decisions of the parties to acquisitions and mergers."

In the course of making these "economic judgments of a high order," the government, of course, does not always find that public policy requires it to attempt to block or undo each merger. Both the FTC and Justice have an informal premerger clearance set-up under which firms planning to merge can put their project before the government and get an indication—though not a hard and fast commitment—as to whether the government will object. Many mergers go unchallenged because the government, while not liking them, doesn't think it could persuade a court to undo them. Still others go through with government blessing.

For instance, the 1954 mergers in the automobile field had open government approval. When the Nash-Hudson and Packard-Studebaker consolidations were planned, the Justice Department investigated and found that the automotive Big Three —General Motors, Ford and Chrysler—had increased their share of the auto market from 85 per cent in 1949 to more than 95 per cent in 1954.

"The picture confronting us," Mr. Barnes has said, "revealed the smaller companies falling behind and the larger producers surging ahead. Against this background, our feeling was that the proposed mergers might

(Continued on page 58)



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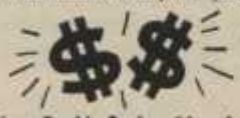
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DRIVE ON MERGERS

continued

revitalize these smaller concerns. They would have a broader asset base, might economize by eliminating duplicating facilities, obtain better dealer representation and sell more complete lines of cars."

The work that went into passing on the auto mergers is typical of the intricate economic analyses that the government must make in trying to determine the legality of a merger. It must study the position of other firms in the industry, the division of the market, the effect the proposed merger might have on the availability of supplies and outlets to competing firms, and other factors.

Because these factors fit together differently and uniquely in each merger, the government has no specific standards that a businessman can consult to determine in advance the legality of a merger he has in mind. But he can get some general guidance from the Government's actions in specific cases.

Thus the Justice Department has announced it will do all it can to block any attempted merger between Bethlehem Steel Co. and Youngstown Sheet and Tube. Mr. Barnes admits that a merger between these firms, respectively the second and sixth largest steel companies, would enable them to compete more effectively with the industry's larger firms. But he declares that, unlike the auto situation where the firms planning to merge were the industry's smallest, in the steel industry there are many companies much smaller than Bethlehem and Youngstown. "Not only would this proposed merger eliminate competition between Bethlehem and Youngstown," he has stated, "but equally important, it would increase concentration in the hands of two companies already industry leaders, and thus widen the competitive spread between the merged companies and their smaller rivals."

One of the Department's recent antimerger complaints sought to force Schenley Industries, the nation's second largest whisky producer, to give up its newly acquired stock in Park and Tilford. While Park and Tilford accounts for only about 4 per cent of total whisky production, the government says that Schenley has acquired more than 50 firms since 1933 and that the Park and Tilford acquisition is in effect the final straw.

Another Justice Department suit, already settled by a consent decree, charged the Hilton Hotel chain with violating the law by acquiring the Statler chain. There the government claimed the two chains were the leading hotel competitors for convention business. Another suit, also settled, charged a violation against Minute Maid Corp. in acquiring the Snow Crop Division of Clinton Foods, Inc.

The government claimed that Minute Maid, through this acquisition, boosted from 20 per cent to 35 per cent of its share of the total industry capacity to produce citrus juice concentrates, and that this was too great a percentage.

Still another complaint sought to prevent a merger between Brown Shoe Co., one of the nation's five leading shoe manufacturers and a major shoe retailer, from acquiring G. R. Kinney, the ninth largest shoe firm. The government claimed that not only would this merger be bad because it would eliminate competition between two firms, but also the merger might prevent other manufacturers from selling their shoes to Kinney.

The FTC's complaint against Pillsbury charges that the firm violated the law by acquiring two leading competitors, Ballard and Ballard Co. and the Duff Division of American Home Foods. The FTC says that through these acquisitions, Pillsbury moved from second to first place in the national baking mix market, increasing its share from 16 per cent to 23 per cent, and solidified its first-place position in the Southeast by moving up from 22.7 per cent of all mix sales in that area to 45 per cent.

An FTC complaint made against Crown Zellerbach Corp. seeks to force it to give up recently acquired St. Helens Pulp and Paper Co. The Commission says Crown Zellerbach accounted for about 50 per cent of the production of certain types of paper on the west coast, while St. Helens accounted for another 20 per cent.

The unique dual jurisdiction of the Justice Department and FTC in the merger field seems to work out not too badly, though many business critics feel it doesn't make sense and that things would be simpler for both the government and business if just one agency had power in this field.

The agencies report that last year they uncovered more than 800 mergers of all types. Of these, the FTC picked about 200 for further inquiry. Of these 200, about 60 were ultimately given a substantial field investigation. Justice, somewhat more selective, says it has put together detailed information on some 150 mergers in the past three and a half years. Naturally, the number of in-



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vestigations that finally result in formal FTC or Justice complaints is much smaller.

Approval of the three legislative proposals now moving through Congress would not end the government's drive for more merger controls. Both the FTC and Justice want still broader authority, and they'll press for it as soon as these changes have become law.

Justice, for example, wants authority to issue a civil investigative demand—power to compel corporations, partnerships and associations to produce documents during the investigative stage of civil antitrust proceedings, including antimerger proceedings. The Department claims it can use a grand jury's subpoena power in criminal investigations, but now must rely on voluntary cooperation by business firms in investigations looking toward civil actions. Mr. Barnes has called the civil investigative demand "vital to more effective antimerger work."

The FTC wants power to block mergers even if the acquired firm does not engage in interstate commerce. At present, the acquired firm must be interstate commerce before the government can take action, and the Commission says that this situation makes it impossible for the government to prevent a big firm from gobbling up many small, local ones. The FTC says this is exactly what has been happening in the bakery and dairy fields.

The FTC also wants broad power to restore competition in cases where mergers have taken place and are then found illegal. Now it can order only the divestiture of the illegally acquired assets. It says it should be able to do far more to recreate effective competition, such as ordering the acquiring company to sell the illegally acquired assets to a particular buyer or even barring the acquiring firm from doing business in a particular area for a certain length of time.

Some members of Congress urge that not only should the government get advance notice of each merger, but that no merger should be allowed to go through unless the government affirmatively approves. Another proposal would set up something like the Public Utility Holding Company Act for all industries, and give a government agency broad power to break large industrial firms into small ones.

Congress doesn't seem eager right now to act on any of these additional proposals. But if the merger tide continues to swell, Congress might get around to considering them before long—perhaps in the next election year.—CHARLES B. SEIB

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FRED J. MARDON



Federal Trade Commission expects to add 150 to present staff of 600. In this Nation's Business interview, Chairman John W. Gwynne explains agency's plans

What does the Federal Trade Commission plan to do with the increased appropriation asked from Congress?

That has been earmarked substantially for antimerger work. It will be used to employ additional staff members to investigate mergers and to try cases and complaints that will probably be filed.

What is the Commission's budget?

The recommended budget for the next fiscal year is $5,500,000, an increase of $951,500. The House, however, reduced our budget to $5,400,000.

Will you ask for reinstatement of the $100,000?

We have told the Senate that we figured that we needed that much money and still do.

How many employes will be added with this new appropriation?

We now have about 610. We'll add 150 or 160.

Would all of the increased number be in antimerger work?

Substantially. Of course, this should be said: We have many other matters here that we consider important. Congress has made it our responsibility to enforce certain laws. For instance, there are the various antimonopoly laws, laws against discrimination, false advertising, false fur labeling, and we do not expect to neglect that work.

I think it is fair to say, however, that recently we have been so pressed with the merger problem that we have tended to take people from their regular work and put them on mergers.

When we were faced with this merger problem we were convinced we needed more people to investigate more cases, and to investigate them more thoroughly, and to try more cases and do the whole thing more quickly.

You have to bring in new people, and they have to be rather expert. We don't think the law of diminishing returns will apply.

Will FTC expand its work in areas other than mergers?

We have filed recently some tires, batteries, and accessories cases, for example, which are not in the merger

(Continued on page 64)



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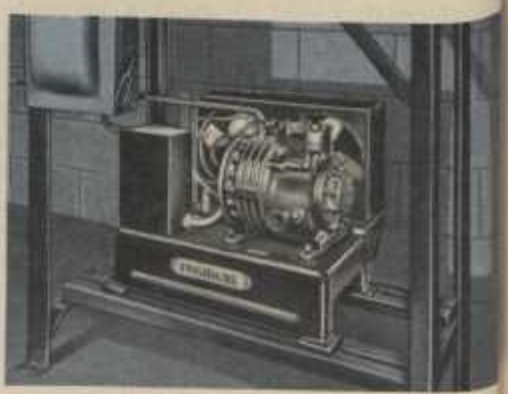
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DRIVE ON MERGERS

continued

field. These will take considerable time and effort. We have also filed some cases involving improper advertising allowances. Those are new types of cases and will take some time to try.

The TBA cases have to do with an overriding commission big tire companies give to oil companies for selling their products through the local filling stations.

The complaints were filed in January and they are in the process of litigation.

Are mergers the Commission's most important problem today?

It is more acute at least.

Is that a new development?

The number of mergers has been rising steadily. We are in what is apparently the third merger movement in this country. The number has increased, beginning with about 1944, and 1955 was somewhat higher than in 1954.

Do you expect the trend to continue through '56 or longer?

I see no reason to believe that it will not continue for some time at least. Our Bureau of Investigation looks into about 20 new mergers a week.

How does the Commission handle mergers?

Under present law, people contemplating a merger are not required to report their intention to any governmental agency. We learn about it in the papers and we make some preliminary investigation to see if it is the type of merger that should have further investigation. If it is, we try to find out the facts, quite often by contacting the companies and from other sources and, in a proper case, file a complaint.

With the expanded staff, how many cases will you be able to look into each week?

We try to take a look at all of them now. But we will be able to do the work more promptly and to make a better job of it.

Is there a backlog?

Yes, that is about it and, in addition, we have eight cases that are now in process of trial. Every time you file a complaint, you take upon yourself a rather extensive lawsuit. That diverts a number of people for a period.

Do you believe the Commission can enforce effectively the anti-merger laws as they are now written?

We could enforce them more effectively if we had legislation now pending in Congress.

What are your recommendations with regard to new legislation?

We have recommended several things: First, we have recommended that all corporations contemplating merger with combined assets of $10,000,000 or more must give notice of their intention to the appropriate agency and provide certain facts of the proposed merger, and the relations of the corporations generally.

The merger could not be consummated until 90 days after giving notice.

Another recommendation has to do with maintaining the status quo until the case can be finally decided. Many times after the case is completely heard so much time has elapsed that it is difficult to unscramble the eggs. It is impossible in many cases.

A bill containing these provisions has been passed by the House of Representatives and is now before the Senate.



"The concentration of too great a power in any group, whether it is business or labor or government, is dangerous and the law should not hesitate to regulate it."

Will the new legislation change the meaning of monopoly?

No. The only change we have suggested is this: The law now prohibits mergers only when both corporations are in interstate commerce. We have found that some large organizations have been built up by one company, which is in interstate commerce, buying a lot of small companies, not in interstate commerce—for instance, in the dairy field or the baking field. We have recommended that the law be amended to apply in any case where one of the companies is in interstate commerce.

That will broaden the FTC jurisdiction?

That is right.

How can business determine in advance if some contemplated action is a violation?

At present, corporations may consult with the Department of Justice or the Federal Trade Commission, and at least get an opinion from our staff as to whether we intend doing anything about it. We cannot give an advisory opinion, of course, but they can get a notion, at least, what we think about it.

At what point does competition become seriously hampered by mergers? Is it when one company gets a certain percentage of the sales in a given market?

You don't have to prove under the Clayton Act that this has taken place. You see, the Sherman Act had to do with established monopoly. The purpose of the Clayton Act was to reach them in their incipiency. The exact wording is: "The law is effective where, in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition or to tend to create a monopoly."

Determination must necessarily project itself into the future to see if the facts indicate probability that a merger will lessen competition. It is difficult to lay down any criteria. The courts haven't spoken on the subject but the point you suggest is important. Certainly, the share of the market that the acquisition will take over is important.

Do you see any new danger in the increasing number of mergers?

Congress has already passed on that, so far as we are concerned. It has pointed out that, in its judgment, there is a danger.

Why are companies merging today?

A number of reasons are given. The merger report published by the Commission listed the most common. The one given most frequently by the acquiring corporation was the desire to increase facilities. Business is growing. A company wants to expand. Often it elects to buy additional facilities rather than build. There are other reasons too, but that is an important one.

I think the expense of doing business has had something to do with it—the overhead and the necessity for spreading the overhead over a wider base, so to speak, just as the farmer in Iowa no longer can operate an 80-acre farm profitably.

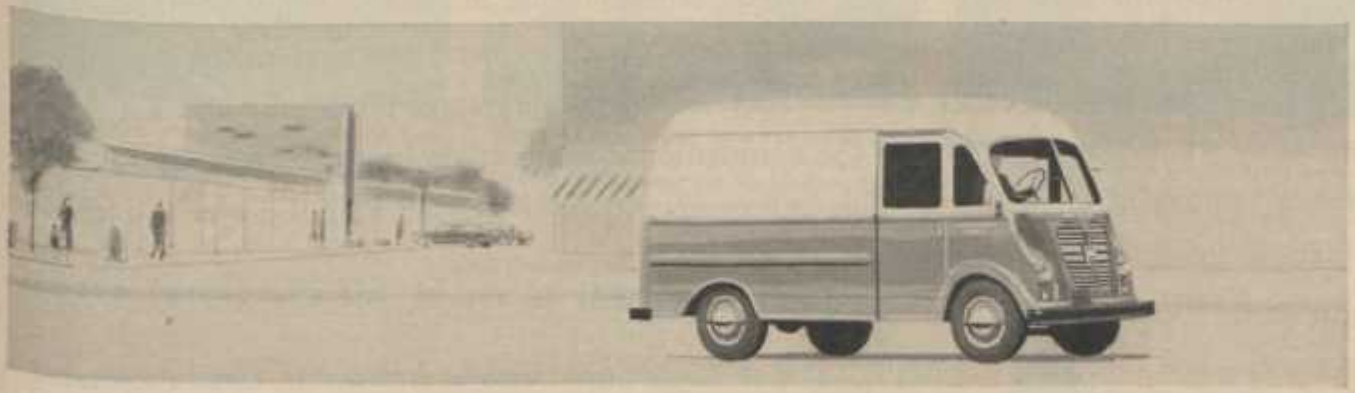
(Continued on page 68)



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Our thanks to the men who insist that the trucks they buy measure up to the job they have to do—trucks that stay on the job, for the least amount of money. They are the professional fleet men, and *all* truck operators who know to a penny what a truck should do. It is these men—the men who really *know* truck costs who have piled up this convincing sales record.

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*Automated Data Processing

A business any size can use A D P . . . to speed operations, or improve efficiency, or tighten control, balance inventory, know its operations better or make decisions based on up-to-the-minute conditions. Whatever the need, and whatever machines are used, Moore forms are an important part of the system. When putting in automation, forms design and construction play an important part in system planning, because sound principles applied *then* show results in efficiency and economy. Moore manufactures forms only and not A D P machines. It brings any company the automation it needs to do its work best, regardless of size or number of transactions. This improvement can be applied all at once or in planned stages to reach the goal gradually.



A D P *is Moore's term meaning* Automated Data Processing. *It is greater efficiency . . . speedier processing of information . . . continuous operation. It uses automatic machines where companies need them to facilitate transactions in great bulk. The smaller company may need only a simple system, with minimum equipment, for purchasing, invoicing, shipping or collecting.* A D P *will meet any requirement.*

The Moore representative knows automation and has the great advantage of 'composite' experience in helping to design many systems. Behind him are the resources and wide experience of the largest, most versatile manufacturer of business forms.

A complicated system becomes simple—and swift

A D P helps a company speed customer orders through branch, office, plant. Moore forms take information at every point where needed.



Sales Office Customer acknowledgment is made and the salesman's order typed on 4-part Moore forms. The machine punches the information in Tape #1, and it is wired to . . .



Production Control The information comes in on machines that also punch Tape #2. Schedule dates are added an automatically typed 13-part Moore orders, punching Tape #3 for . . .



Plants The incoming wire punches Tape #4. The plants use it to automatically type master orders for plant copies. This furnishes instructions to start producing the customers' orders.



Main Office Meanwhile, duplicates of Tape #3 have been received and will be used to prepare customer invoices, on Moore forms. A by-product is Tape #5 containing selective data.



Machine Accounting Tape #5 feeds the sales and shipment figures into card punches. The punched cards are put through electronic equipment for analyses of sales and other reports.



The Decision Makers Now sales figures are up-to-the-minute. Decisions are based on company conditions today, not yesterday or last month. Such control was never possible before.

Moore forms are the heart of the system . . . *they deliver the A D P benefits*



4-part Order Form | 13-part Production Order | 6-part Invoice

They take the information where it's needed. Now orders are acknowledged immediately and filled the same day in most cases. Accuracy has become the rule. Specifications are right and descriptions detailed, with errors in transmitting now practically nonexistent. Management knows what's going on and has control.

Moore forms, of every kind and description, are designed to fit any business system, even a simple operation. Any company, large or small, can enjoy A D P benefits like those above and can start by calling the Moore man in. He's in the Classified or can be reached by writing the nearest Moore office, below.

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BALTIMORE & OHIO RAILROAD

Those who know—use the B&O!

DRIVE ON MERGERS

continued

Taxes enter into it, too. In the first place, taxes are an important part of the irreducible minimum of doing business. The merger of a corporation that has a tax loss with a concern that has been doing well is sometimes advantageous.

Other times, you find a situation where an individual or a family has built up a profitable business and wants to get out of further risk. They sell and pay a capital gains tax and retire from the field.

How far should monopoly laws go in applying to labor unions?

The laws that the Commission enforces exempt labor entirely.

However, my personal view is that no group should be exempt from regulation as to the powers it may exercise. The concentration of too great a power in any group, whether it is business or labor or government, is dangerous and the law should not hesitate to regulate it.

As I say, we take no part in that field, except, of course, where a labor union conspires with an employer. We have had some cases along that line in the past.

Do you expect any court decisions soon on the 1950 antimerger law?

We have one case in which the evidence has been entirely presented and it will soon be argued before the hearing examiner and a decision rendered. The case will be before the Commission and there is a possibility that it may also go to the courts.

So far as the Commission is concerned, the 1950 law has not been tested.

How many merger cases has the Commission been involved in?

Prior to 1950 the Commission issued 68 complaints; 57 were dropped and 11 resulted in orders being issued. In 1950 Congress amended the merger law. Since then eight complaints have been issued, the first in 1952. None has been settled.

Has the Commission been entering more merger cases in recent years?

Yes. After the court pointed out that the law did not prohibit acquisition and mergers through the purchase of assets, that virtually prevented any effort to stop mergers because there was a loophole that anyone could take advantage of.

What precisely will the investigators be looking for in studying mergers?

They will investigate such things as the size of the corporations, their share of the business in their area, the competition generally, and, you might say, almost any fact that has some bearing on the question of probable injury to competition.

By share of business in an area, do you mean geographical area or category of industry or business?

It means area of effective competition. Monopoly does not need to cover the country. It is enough if mergers interfere with competition or create a monopoly in any section. It might be in one state, for instance.

How does the Commission determine if it or the Justice Department should enter a case?

It is largely a question of which organization gets on a particular merger first.

There is close cooperation, however. They notify us of every investigation they are undertaking. We do the same with them and we take pains that we do not both work on the same side of the street.

There are times when, for some reason, one agency is in a better position to handle a certain matter than the other. It is a loose arrangement but it works pretty well.

Do you believe that one agency or the other should handle the cases exclusively?

I don't believe so, no. Incidentally, we now have a committee working with Justice to see if a more definite arrangement could be made to divide the work between us. There have been various suggestions, and yet I think the present arrangement works pretty well. I see no particular need for change. If one agency is equipped to handle a certain merger better than the other, then that agency should handle it. Justice has been into certain fields and knows a great deal about certain industries. Therefore, it would seem logical, even though we got a case first, that we would turn it over to them.

On the other hand, there are certain fields where we have made considerable investigations. They turn those cases over to us.

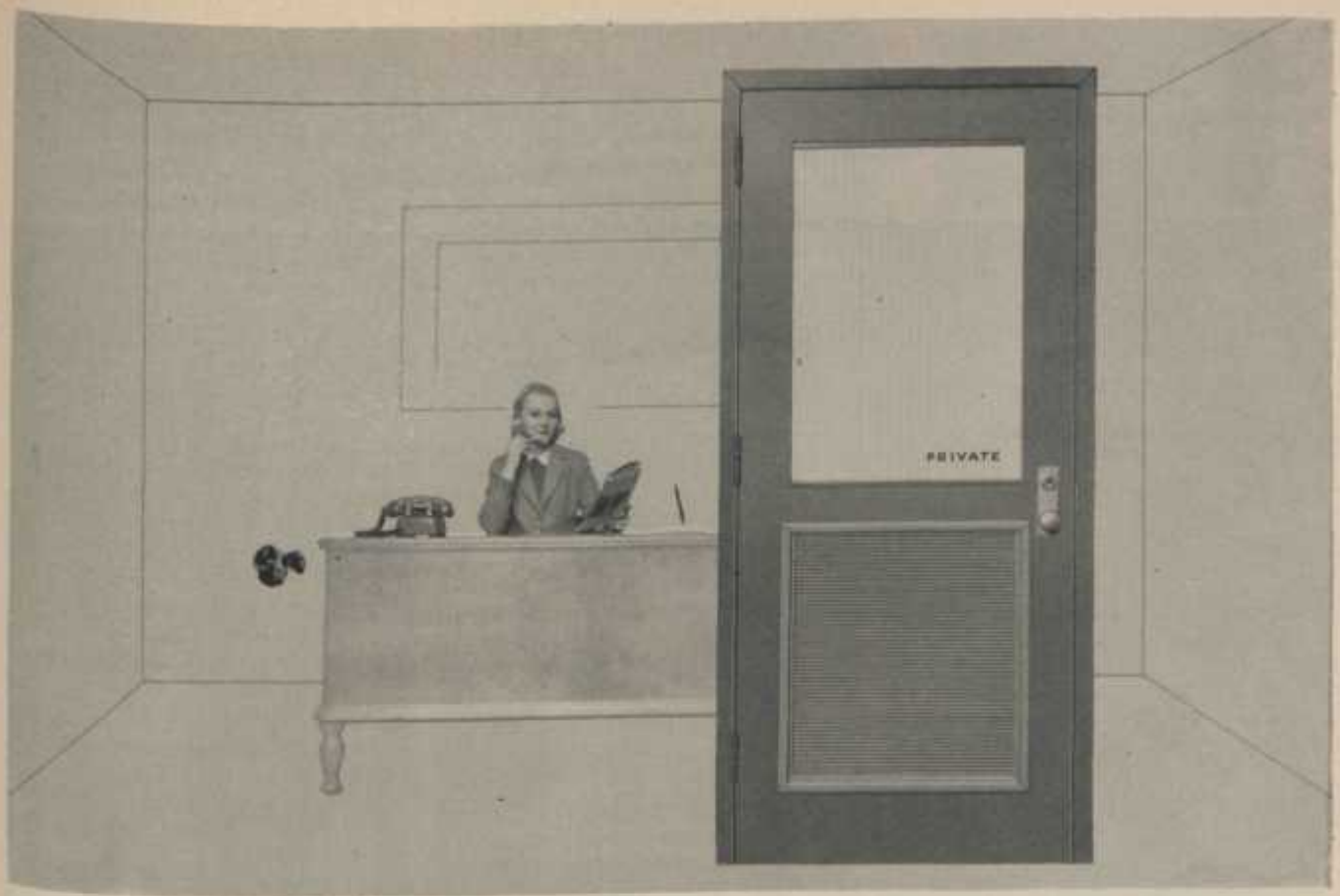
How does the Federal Trade Commission differ from other regulatory agencies?

The principle difference, of course, is that Federal Trade was not set up to punish people for past wrongs.

It lays down a course of conduct for the future.

Consequently, if we can bring about that course by voluntary agreement, we have accomplished as much as if we had tried the case.

Many prosecuting agencies rely upon their ability to impose punish-



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*WHERE **BIG** THINGS ARE HAPPENING FOR **YOU***

DRIVE ON MERGERS

continued

ment for past wrongs. Of course, if one of our orders is violated, we can enforce it through penalties.

Do you believe FTC has been more strict during the past three years than the previous three years?

We certainly have no desire now to be unreasonable or to waste the people's money on trivial things.

We try to pick out the cases and complaints that have the greatest significance and that affect most people. It has to be a selective job.

The Bureau of Investigation has about 1,400 complaints of all kinds in the process of investigation.

Has the number of formal complaints issued by the Commission increased substantially during the current year over the previous fiscal year?

During fiscal '55 there were 161 complaints issued, and 112 orders. For this fiscal year, 135 complaints and 98 orders were issued up to March 9.

Do you think the number of cases is a reliable comparison of effective work?

No, I wouldn't think so, necessarily. As a matter of fact, I would prefer to get many things done without filing complaints

In past years, for example, we have had some cases against cigaret people for their advertising. They were expensive and went to the Supreme Court.

In recent years, through cooperation between our Bureau of Consultation and the cigaret people, a sort of code of fair advertising has been worked out. While compliance now is not 100 per cent it is a great deal better than in the past.

Anytime you can do something like that, through voluntary cooperation between Federal Trade and the industry, you bring about better law observance. That is much more desirable than litigation.

Will you describe how the Trade Practice Conference works?

Any industry that is interested may petition the Federal Trade Commission for a conference. If Federal Trade thinks it is the proper place for one, they make the necessary arrangements, and members of the industry get together. Members of the Federal Trade Commission staff preside. They adopt a sort of code or rules, based on the law.

It is done entirely by agreement between the industry members and Federal Trade Commission.

The rules, as such, are not enforceable, but they do state and explain and, you might say, amplify the law which is enforceable. The agreement fills about the same field that ethics do in the medical profession.

How do FTC cases originate?

In several ways. Quite often, a complaint is sent in. A check is made and if it appears that it is of some substance, we investigate. That is one way.

Sometimes our investigators run across a violation themselves. Sometimes complaints are referred to us by members of Congress or by congressional committees.

In a great share of the investigations the wrong doing is settled without the filing of a formal complaint. Sometimes, if it is minor or unintentional, it is settled without further trouble.

How can a businessman determine if his practices are objectionable by your standards?

We have a Bureau of Consultation for that purpose. It is here in Washington, but we have field offices in New York, Washington, Cleveland, New Orleans, Chicago, Seattle, and San Francisco.

What is the procedure for conducting investigations?

As soon as the staff makes its preliminary investigation to see if we have jurisdiction—and to determine if it is anything more than a mere private controversy—it is usually sent to a field office for investigation. The investigators go out on the ground and find out personally about the matter. Sometimes some of the information is obtained through correspondence.

Are investigators lawyers?

That is right, generally.

Do you use chemists or doctors or technicians in any instances?

Yes. We have a scientific division with about six employes here in Washington. We also call on the services of the U. S. Bureau of Standards in some cases.

Could you tell us more specifically what type of work this scientific section is concerned with?

Largely advertising of drugs, medicines, foods, and so on.

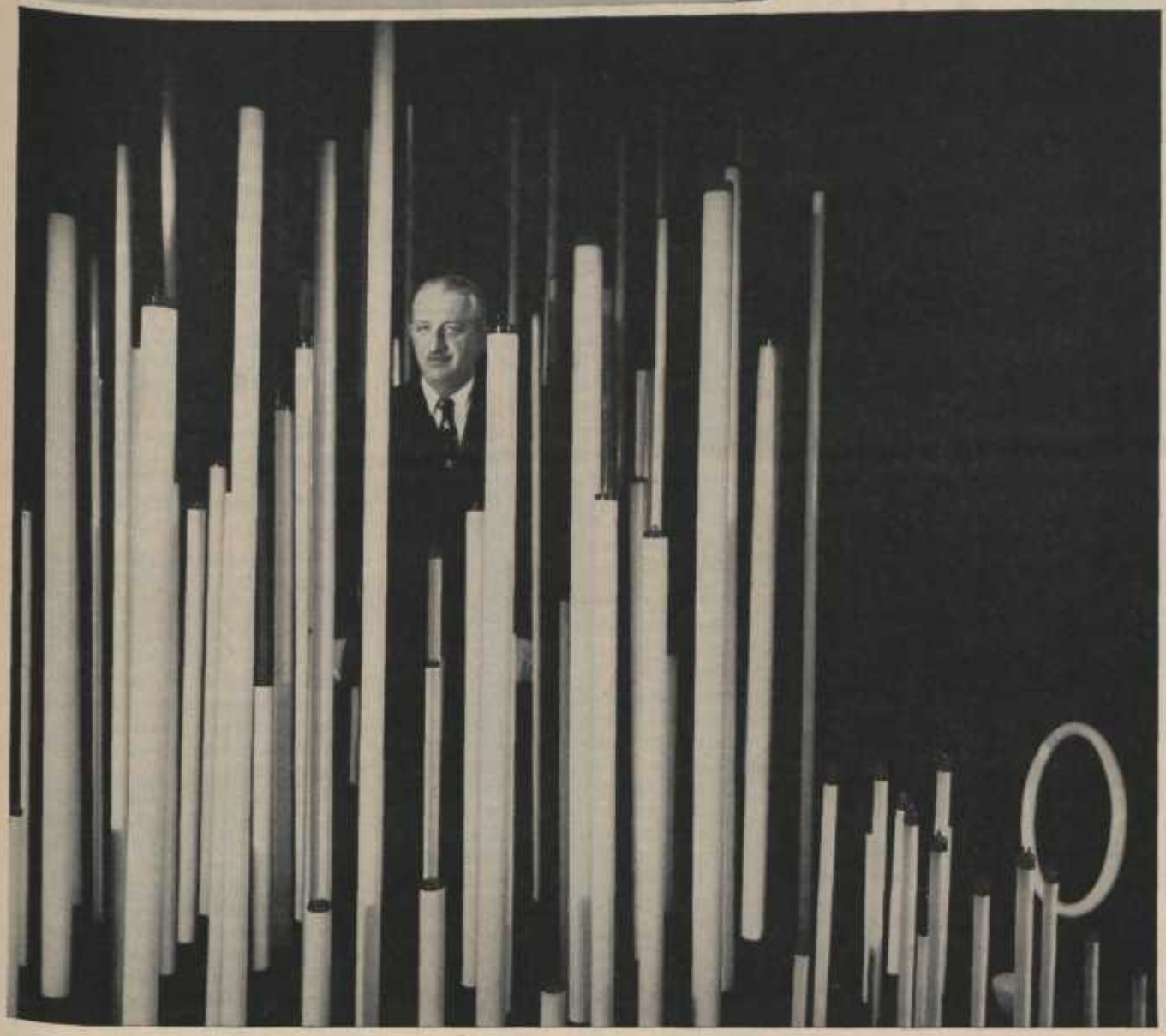
Is that work increasing?

I don't think it has decreased.

We have had in the past a number of complaints against claims of various kinds of cures, arthritis cures, cancer cures. We have not had occasion to tackle the claims, of course, of the reputable drug makers.

Is the Commission investigating

how to judge a fluorescent lamp . . . point no. 4



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DRIVE ON MERGERS

continued

pricing and competition in this field?

We are now conducting an investigation in the field of antibiotics.

What action do you expect as a result of that?

It is a little too early to answer that. The thing has moved rather slowly, but we are now getting set up to make some investigation of the entire field of antibiotics to see if prices are higher than they should be.

What possible actions may result from any investigation?

You may find that a complaint is a rather minor matter and perhaps unintentional, and the person may satisfy you that he will discontinue it. That usually ends it.

Or, if it is a little more important, sometimes a stipulation is entered into. That is an agreement that the person will not do certain things.

If it is more serious or if the person insists that he has a right to do it, a complaint may be filed. That case then goes to trial.

What is a consent settlement?

After a complaint has been filed, the rules now provide that at any stage the case may be settled by agreement. Attorneys representing the Commission and attorneys representing the respondent may settle part of the issues or they may settle with one respondent and not others.

Settlement has to be approved by the hearing examiner and also by the Commission. If it is agreed upon, then the order is made, just the same as though it were the result of a trial.

Does a consent case have court validity?

Oh, yes, it has the same effect as one that is ordered by the Commission after trial.

Do you think consent cases deter violations as prosecutions do?

Yes, I think so. If we had to try every case we would need a much larger staff. A great share of our cases are settled and the number is increasing.

To what do you attribute that?

Partly to the new rule which permits settlement of part of the issues and a settlement by part of the respondents, and partly to the quickening of the operation.

What is the work of the Small Business Section?

That group is largely engaged in consultation. People want to know if a certain thing is legal and what their course should be. It is the business of that section to talk with businessmen and help them where they can so they can stay within the law.

Are there any limitations on the industries that can be covered by FTC action?

The law gives certain other agencies direct supervision over certain phases of our economic life. For example, the Civil Aeronautics Board, the Federal Communications Commission, Federal Power Commission, Interstate Commerce Commission, and the Securities and Exchange Commission, have control over certain industries. Everything that is not specifically given to those organizations is handled by the Federal Trade Commission.

Once the Commission has issued an order, is that order surveyed later to determine compliance?

Some time ago the Commission undertook a complete survey of all outstanding orders. There were about 4,000 of them and 1,700 have been checked. We are going at that systematically.

How does the Commission handle advertising?

We make a systematic search for violations in advertising. However, most of our cases result from complaints we get from the public. In addition we get certain radio scripts systematically.

We have a number of advertising cases pending.

In the accident-health insurance field, we have issued 41 complaints charging false advertising. About six companies have taken orders. Several cases have been tried and are before the Commission.

In addition we called a trade practice conference here some time ago, which was well attended, and the Commission is working out a code of fair advertising substantially along the same line as that adopted by the National Organization of State Insurance Commissioners.

You see, in insurance the states and the federal government both have jurisdiction. We have sole jurisdiction in interstate commerce in most other fields.

Is the Commission contemplating any action with regard to gasoline price wars?

We have, or did have a short time ago, five or six investigations going on with regard to specific price wars. Something may show up there, I don't know.

Senator Humphrey's subcommittee has asked us if we would be willing to undertake an investigation. We told him we would make what-

ever survey Congress asked us to make if they would provide the money.

He asked us to give him a figure. Our people gave a figure of $900,000 to make a survey of the entire petroleum industry, particularly the distribution field.

Senator Humphrey said that he was interested in it, partly at least, in connection with a bill he was thinking of introducing which would divorce the retailing from the production.

What big projects is the Bureau of Economics studying now?

At present a good many of the members are in merger work. That is a continuing job. The economics staff also participates in the trial. For instance in certain cases we have economists who have done nothing except to lend their aid in the trials.

In addition to that, they are now in this antibiotics investigation.

Is the Economics Bureau planning to issue some sort of a broad report on the economic impact of mergers, a report similar to the one last year?

Yes, they may. We are not making what you might call a general study at the moment. We are tackling individual cases, but as the data comes in, they may issue some additional report.

What can a businessman do who has any questions relating to the Commission's jurisdiction?

We are always glad to hear from anyone who thinks somebody is doing him a wrong. He should write the Commission in simple language, and make a detailed statement as to the wrong complained of.

What steps do you think should be taken to improve the efficiency of FTC at reduced cost to the taxpayer?

Well, to me, the important thing in all these agencies is to speed up the work. Delay is the great bane of law enforcement.

The important thing is to handle matters promptly, get out and investigate them quickly, get the case tried quickly, and keep right on it until it is finished.

A great deal, incidentally, has been done along that line. The backlog has been whittled down substantially.

There are very few cases submitted to the Commission which have not been decided.

I can't emphasize enough the necessity to simplify procedure and get the work done promptly. That, to me, is the secret of the whole thing. END

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PHILLIPS-BLACK STAR

TOP lawyer in the White House

Gerald D. Morgan is special counsel to President Eisenhower. Here's why he is a key man in the Administration

ONE OF THE most influential voices in setting the legislative course of the Eisenhower Administration belongs to a man almost unknown outside official Washington.

He is Gerald D. Morgan, a reserved, hard-working lawyer with the imposing title of "Special Counsel to the President." His primary job is to see that the legislative proposals sent up Pennsylvania Avenue from the White House to Congress and the bills routed down the Avenue from the Capitol to the White House jibe with presidential policies and objectives.

Mr. Morgan modestly professes to be only a technician who gets the views of the various agencies and departments and digests them for the President. But other members of the Eisenhower team leave no doubt that the legislative expert is one of the key men in the White House.

"Of course the President or Sherman Adams makes the final decision on the tough ones," says one White House aide, "but Jerry Morgan has a great influence on what those decisions are. There are few policy decisions he isn't in on, and on many of them his is a deciding voice."

Mr. Morgan is well qualified for his important role. For ten years, from 1935 to 1945, he was one of the legislative counsels of the House of Representatives, drafting bills for the most important House committees. Later, as a lawyer in private practice, he was hired by the Republicans to help write the Taft-Hartley Law. Also while he was in private practice the first Hoover Commission retained him to put into bill form the Commission's major recommendations.

For the first two years of the Eisenhower Administration, before being named Special Counsel in February, 1955, he was White House liaison man on Capitol Hill, working with House Republican leaders to push the President's program through Congress.

"Jerry has the finest background in legislative history in Washington," says Representative Charles Halleck, Indiana Republican who serves as deputy minority leader of the House.

"He is a brilliant legislative draftsman, almost beyond imagination," says Representative Wilbur Mills, Arkansas Democrat who went to law school with Mr. Morgan.

His is deciding vote on many policy issues within Administration

The idea behind the Special Counsel's job is simple—to have someone right in the White House to direct all the staff work that must be done on the Administration's legislative program. Before each session of Congress he helps develop the various legislative proposals to be called for in the state of the union, budget, economic and special messages that go to Congress early in the year. As the session advances, the Counsel advises the President as to whether the executive agencies have, in proposing bills or in passing on bills introduced in Congress, kept in line with the broad administration program. Finally,

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WHITE HOUSE LAWYER *continued*



PHILLIPS

Helping to ease President's work load is one of Mr. Morgan's important chores

'I can't imagine a better job for a lawyer to have,' says special counsel

when bills are passed by Congress, he must recommend to the President whether they should be signed or vetoed.

In performing these duties, the 47-year-old Mr. Morgan sits in on Cabinet sessions and White House staff meetings. He also attends the President's conferences with Republican legislative leaders and, frequently, with individual Congressmen. Before each White House news conference he helps brief the President on pending legislation.

In addition to his purely legislative tasks, Mr. Morgan has such other assignments as reviewing and sometimes drafting presidential orders affecting government agencies and personnel, writing presidential proclamations on holidays and other events, clearing all international air route orders of the Civil Aeronautics Board, and even reviewing some court-martial judgments. In recents months he has also worked with Justice Department officials on ways to lighten the President's workload.

In doing all this, Mr. Morgan works closely with the President. He sees Mr. Eisenhower at least once and sometimes two or three times a day. Some of these conferences last only a few minutes, but often they are much longer.

"The President has tremendous regard for Jerry as a lawyer and an expert on government and legislative procedures," a close friend of Mr. Eisenhower declares. "He has complete confidence in him and gives him almost unlimited responsibility."

Mr. Morgan is the fifth man to hold the title of presidential Special Counsel. The job was tailor-made by President Roosevelt late in 1943 for Judge Samuel I. Rosenman. It was, in fact, patterned on the work Judge Rosenman did as legislative counsel to Mr. Roosevelt when the latter was Governor of New York.

Before 1943, the tasks now performed by the Special Counsel were parceled out among federal agencies and White House staff members. Judge Rosenman says Mr. Roosvelt had found it helpful in Albany to have such jobs centered in one desk in the Governor's Office and that as things got difficult in Washington during World War II he decided to set up the same system. Under Mr. Roosevelt, the Special Counsel's job included drafting messages to Congress and passing on legislation, drafting orders applying to the multitude of wartime agencies, speech-writing and general trouble-shooting. It also included such unpleasant assignments as telling Vice President Henry Wallace that the President was dumping him in 1944.

Judge Rosenman stayed on under President Truman until February, 1946. When he left, his duties were assigned to Clark Clifford, then the assistant naval aide to the President, and the Special Counsel post was allowed to remain vacant. But the liquidation of war agencies made the workload increasingly heavy and before long Mr. Truman formally put Mr. Clifford into the job.

When Mr. Clifford left to go into private law practice, the post went to Charles Murphy, a White House assistant who earlier had been one of the Senate legislative counsels.

Mr. Eisenhower first named as his Special Counsel one of his early campaign workers, Bernard Shanley, a New Jersey lawyer. Early in 1955, Mr. Shanley switched to the job of presidential appointments secretary, and the Special Counsel's job went to Mr. Morgan. Generally speaking, the job today includes less speech-writing and general trouble-shooting and more legislative work than it did in its earlier years.

Few people realize Mr. Morgan's important role in legislative matters because the Budget Bureau is the official enunciator of administration policy on those legislative matters on which the President does not speak out himself.

The Budget Bureau does in fact determine policy on routine proposals where the President's views are already clearly known. But on important issues where presidential policy is not clear, the Bureau's task is mainly to collect and summarize the views of the executive agencies involved. The final work leading to a policy decision is done by the Special Counsel.

"We are the mouthpiece," says a Budget Bureau official. "We announce administration policy when the President himself doesn't want to. But the Special Counsel is the man who determines presidential policy when that policy is not clear.

In actual practice, the system works like this: Suppose the Interior Department wants to propose to Congress a broad new program of federal aid to Eskimos. The Commerce Department is against it. The Defense Department and the President's Council of Economic Advisers each have alternative

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WHITE HOUSE LAWYER

continued

programs which they think would be more effective. The Budget Bureau does the initial job of getting all these views together on paper, trying to reconcile the differences between the agencies, analyzing the issues involved and attaching its own recommendations as to how the Eskimos can best be helped.

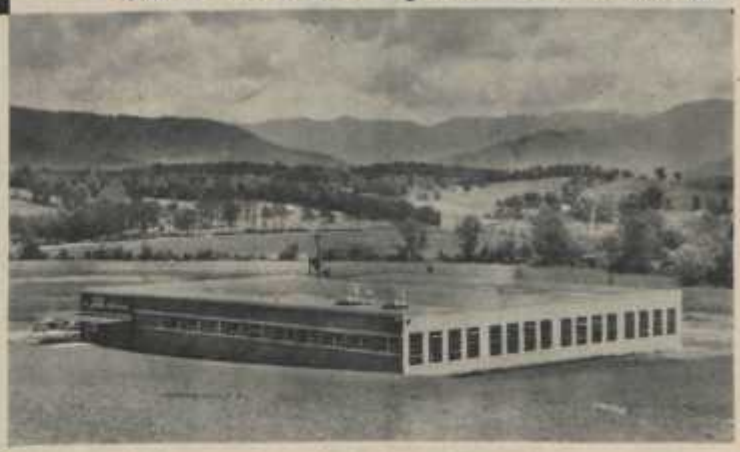
Then the Special Counsel takes over. He studies the file prepared by the Budget Bureau. He probably meets with experts on the Eskimo problem from the interested agencies. He discusses the matter with other White House staff members and perhaps informally with the President. At all times he keeps in mind the President's stated policy on the Eskimo situation or, if that is lacking, the general administration policy that would apply. Finally he prepares his recommendation to the President and almost always that is what goes to the Capitol in the form of a request for legislation.

A similar procedure is followed on what, as Mr. Morgan puts it, "comes from the other end of the spigot"—legislation passed by Congress and sent to the White House for the President's signature. The Budget Bureau collects the views of the agencies on the legislation, reconciles them as much as possible and makes its own recommendation. If the bill is routine, the Special Counsel passes the Budget Bureau recommendation right on to the President. But if the measure is important or controversial he assesses it in terms of administration policy. Most of the time he arrives at a decision which will be acceptable to the President—"when you've worked fairly closely with a man for more than three years," Mr. Morgan says, "you know pretty well how he's going to feel on most subjects."

In exceptional cases—the Natural Gas bill would be an example—the legislation becomes the subject of intensive White House staff discussions, consideration by the Cabinet and long pro-and-con sessions between the President and his advisers before a decision is reached. Through it all the President relies heavily on the advice of his Counsel. Sometimes Mr. Morgan's recommendation on whether a bill should be signed or vetoed differs from those of the affected agencies—and when this happens he usually prevails.

One aspect of his job Mr. Morgan doesn't care for is the task of notifying the congressional sponsor of a bill that the President is about to veto it. Usually the more pleasant

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WHITE HOUSE LAWYER

continued

chore of notifying members whose bills will be approved is left to the White House's legislative liaison people, who need Capitol Hill good will more than the Special Counsel does.

Mr. Morgan comes by his legal career naturally—his father was the Morgan of Breed, Abbott and Morgan, a top New York City law firm. A native New Yorker, Mr. Morgan acquired an Ivy League tinge at Princeton (A.B., 1930) and Harvard (LL.B., 1933).

After two years in the legal department of the United States Steel Corporation, Mr. Morgan went to Capitol Hill in 1935 for his useful decade in the legislative counsel's office. He won the confidence of members of both parties there; and his friends remember how his help would be demanded simultaneously by House Labor Committee Chairman Mary Norton, an arch New Dealer, and House Ways and Means Committee Chairman Robert L. Doughton, a conservative. He helped draft major labor, housing and banking laws and before long graduated to the hardest drafting job of all—working up bills for the tax-writing Ways and Means Committee.

In 1946 soon after he left the Hill for private practice in Washington, specializing in tax cases, the Republican National Committee hired him. He wrote the House-passed version of the Taft-Hartley Law and then helped with the final House-Senate conference version. "I'd been working with the subject for years and he'd just come to it," says one lawyer who worked on that conference, "but Jerry could write in seconds a provision that I would have needed an hour to draft."

A short time later the Hoover Commission was looking for someone to put into bill form its major recommendations that required legislative action. A commission official recalls that "we asked around town for the best bill drafter in Washington and everyone named Jerry." Mr. Morgan drafted some 25 to 30 bills for the Commission covering widely different fields—a performance the official considers "the most remarkable legal feat I've ever seen."

Mr. Morgan continued in private practice until early 1953 when he joined the White House staff to do legislative liaison work.

His detailed knowledge of the way Congress operates and his wide friendships with leaders of both parties made him a natural for the liaison assignment. But now as Special Counsel, Mr. Morgan seldom gets up to the Capitol to see his old congressional friends. He sticks close to his oak-paneled office on the second floor of the White House's west wing, working from about 7:45 a.m. to 7 p.m., or later, six days a week—with an occasional few extra hours on Sundays. He gets a salary of $18,000 a year and has two young lawyers helping him—Edward A. McCabe, whom he imported from the staff of the House Labor Committee, and J. William "Bud" Barba, whom Mr. Shanley had brought in from his New Jersey law firm.

Personally Mr. Morgan is polished and polite, but definitely reserved.

Despite his reserve, he seems to have a talent for making and keeping friends. In the social line, he prefers small informal parties at which he can sing. He has a fine bass voice and a wide repertoire of songs and ballads. In addition, he plays a wicked jazz piano, specializing in "Tiger Rag"—and he performs creditably on the accordion. His prematurely white hair is crew cut and he usually dresses in the standard conservative attire of Ivy League alumni, though, like others on the White House staff, he turns up for work on Saturdays in loud sports jacket and fancy vests.

For relaxation, Mr. Morgan likes to swim in his pool or use the tractor on his 20-acre farm home in Maryland, just north of Washington. He and his wife, a Louisville girl he married at the end of his second year in law school, have independent means—enough, his wife says, "so Jerry can stay on this job and still not have to worry about putting our four children through college."

He's in charge of his church choir and during earlier years was active in PTA, county council and other community affairs. He registered as a Democrat when he bought the farm in the early 1940's because then the only way one could have any voice in county affairs was through the Democratic Party. However, he was a Taft supporter before the 1952 conventions and an enthusiastic Eisenhower man from the time of the nomination on.

These days Mr. Morgan can't participate in many extracurricular activities. His job occupies practically all his time, and he's perfectly happy that way. "It's wonderful, exciting, challenging work," he says. "I can't imagine a better job for a lawyer to have." Most officials who have worked with him—Democrats and Republicans—can't imagine a better lawyer to have the job.

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WAGE LAW CHANGES CAN BOOST HIGHWAY COSTS

With huge federal construction outlays in prospect, AFL-CIO building trades unions want new Davis-Bacon wage legislation with broader coverage, greater benefits. Failing that, they want present law made part of new road legislation

BUSINESSMEN — particularly those in the construction industry— are keeping a sharp eye on proposed amendments to the 25-year-old Davis-Bacon Act which Congress will act on in coming weeks.

The present Act provides generally that prevailing local wage rates be paid to laborers and mechanics employed on federally financed construction.

Now, with federally assisted highway and school construction programs high on the legislative priority list, unions are demanding that the same wage requirements be included in any new building legislation and that the Davis-Bacon Act be amended to:

1. Extend prevailing wage requirements to federally assisted and even federally insured construction, such as VA and FHA insured home building.

2. Include fringe benefits—health and welfare, retirement and vacation pay—under the definition of wages.

3. Centralize enforcement authority in the Labor Department instead of leaving it dependent on findings of government contracting agencies, as at present. This feature of the liberalized Act also would increase the Secretary of Labor's power to blacklist any contractor who failed to meet pre-determined government standards. These de-barments totaled 14 last year, 26 in 1954 and only one in the period from 1950 through 1952.

Unions, notably the AFL-CIO Building and Construction Trades Department, declare that the magnitude of pending highway and school construction programs underscores the need for a new look at the Davis-Bacon Act.

Briefly, the Fallon Bill (HR 8836), which failed to pass in the first session of this Congress, sets up a 13-year highway building program financed to the extent of $24,800,000,000 by the federal government and $2,700,000,000 by the states. This means, union spokesmen assert, about 150,000 new jobs each year for building and construction tradesmen.

The Kelley Bill (HR 7535) provides for a four-year school building program financed equally by the states and the federal government to the extent of $3,200,000,000. This amounts to about $800,000,000 yearly, or, in terms of new jobs, about 57,000 more construction workers each year.

A bill which would change Davis-Bacon about as the unions ask has been presented by Senators Murray, Douglas, Lehman, Pastore, Kennedy, and McNamara. Rep. John Fogarty and other Congressmen have introduced companion bills in the House.

A bill sometimes heralded as the Administration's measure, and introduced more than a year ago by Sen. H. Alexander Smith (R., N.J.), would clarify hours worked provisions in the present Act and extend its coverage.

The construction industry, spearheaded by the Associated General Contractors of America, opposes both pending amendments and inclusion of the Act in the Highway Bill.

AGC spokesmen list four principal objections to union demands.

1. Proposed amendments would tend to increase unnecessarily the cost of highway construction.

2. The fixing of improper wage rates will have a disruptive effect on the economy of local communities. Big-city wages should not apply to construction in remote areas, AGC says.

3. Wage-fixing provisions would lead to increased federal regulations which could cause unnecessary delays, increased expense and interference with the administration of state construction contracts.

4. If Davis-Bacon is to be applied to the Interstate Highway System under provision of Section 11 of HR 8836, it will be the first time in the history of our government that a federal wage-fixing provision has been imposed on contracts awarded and executed by the 48 states.

The contractors declare that the states "are eminently better qualified than the federal government to determine applicable wage rates" in contracts awarded for the expanded highway system over the next decade and a half.

They also stress the point that "responsibility for wage rates on state contracts is a matter of states' rights based on the Constitutional reservation to the states of all powers not specifically given to the federal government."

Industry representatives estimate that the number of wage determinations would be increased from 20,000 to more than 30,000 a year if Davis-Bacon provisions, even as the law now stands, were put in the highway program. The Department of Labor, they say, now has difficulty keeping abreast of all the predeterminations it has to make.

Construction industry leaders, at a recent Washington meeting, pointed out that "we actually are fighting for a principle rather than begrudging a higher wage to construction workers."

Says Lester C. Rogers, AGC vice president:

"These amendments and the efforts to include Davis-Bacon in the Highway and School Bills amount to federal interference in what should be a purely local matter."

Mr. Rogers adds that an anticipated shortage of skilled workers in some areas would probably force up wage rates in any event when the highway building program gets into full swing in a year or so.

The industry feels that eventually contractors will have to recruit men from distant points, pay premium wages to available workers—with or without a modified Davis-Bacon Act. END



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How to delegate responsibility

These five steps make decentralization easy—provided the executive first learns the art of delegation. That requires four changes in attitude

MANY businessmen are rediscovering an old way to get more work done—delegate.

They are recognizing that the higher a man gets up the executive ladder, the more he is judged by his success in directing other people. So, in more and more companies, big and little, managers are searching for ways to make delegation, long an ideal, into today's practical reality.

Delegation isn't easy. The idea of handing over to someone else a job you know you can do perfectly well yourself goes against the grain for many of us. In addition the steps toward decentralization can be puzzling.

Basically these steps are of two sorts:

► Management must cultivate the four elements that make up the art of delegation.

► Management must then take the five steps needed to make decentralization work.



People given authority will make mistakes but they develop and grow



Make people live by the book and they become helpless as baby robins

Once management has decentralized, the advantages of delegating authority to foremen, branch and plant managers, division chiefs and others will be plain enough.

Decentralization reduces costs. It saves review after review, cuts paper work and saves time in getting things done. A year ago Robert T. Stevens, then Secretary of the Army, set out to find ways of decentralizing authority exercised by him and his key civilian aides to lower echelons. The assistant secretaries were working long hours to keep up with a steady flow of paper that demanded their personal attention, and usually their signatures. If that flow of forms, reports, and recommendations could be reduced, the assistant secretaries would be freed to think about their jobs. If the forms, reports, and recommendations could be approved at lower levels, let us say by a colonel in the Ordnance Corps, the time and effort of three or four intervening echelons could be saved and, in some instances, the report itself could be disposed of.

Decentralization would thus free executives to do executive work. The assistant secretaries, and other executives, are hired to think, to make important decisions, to plan ahead for the enterprise, and to provide leadership. To clutter up their desks and their minds with matters that could be handled by others is wasteful.

But all too often executives permit their desks and minds to be cluttered up. Take, for example, the case of a southern bank president. He had been president for 32 years and, for all these years, as the bank had quadrupled in size, he followed the same routine every morning. He personally sorted and opened every piece



Subordinates who try and fail must be encouraged to try a second time

of mail received and distributed it among his associates.

He might have delegated to the office boy authority to open and to distribute the mail. He might then have spent an additional half hour or more in analyzing the bank's new business opportunities, in studying his major customers' operations, in applying his three decades of experience in counseling with his vice presidents on their problems, and in seeking out the top executive of the new business—and potential new customer—who had just moved to town.

Unhappily, this president's practice is not unusual. Many a bank president regularly has his Board of Directors approve a list of all loans from $100 up at its weekly or biweekly meeting. The Board often has little basis for decision and the requirement that it approve is usually a nonproductive use of its time as well as his own.

Decentralization often results in having a better decision made, more expeditiously, by the man who has the facts.

A recent example is the executive committee of an oil company. Sitting in New York, the committee reserved the right to approve each capital expenditure of $2,000 or more. For instance, it passed on the opening of every proposed service station in Central and South America.

The company's country manager had located good corners in San Juan, Bogota, and Rio. He wanted to make a deal with the local owners, often in competition with other oil companies. He had the facts as to prospective business to be done, the investment needed, and the prospects of a profitable pay-off. But he could not act. He could only develop the forms and send along his recommendation. The recommendation wended its way through a paper mill in New York until finally the executive committee made a decision which the country manager was better qualified to make, and make promptly.

Decentralization also gets the best out of people. There was a small dry goods store with annual sales of about $500,000 where for years the owner's son urged his father to establish a new department to sell infants' wear. Finally the father agreed reluctantly to let him start the baby shop. He stipulated that the son must take full responsibility for all aspects of it and see that it netted a profit on the investment of about $35,000. This delegation of authority, grudging as it was, unleashed the son's initiative and determination to make the shop succeed. He did. Today, the baby shop produces one third of the store's total sales, and a handsome return on investment. Moreover, the father-proprietor's responsibilities have been reduced by at least one third.

The same point can be illustrated in reverse. In a southern department store, the buyers must clear most decisions with an executive vice president who runs the business with a tight hand. When they go north to buy, they are given explicit budgets and instructions as to what to buy. When the merchandise arrives they must be guided by the boss's plans for display and advertising. Such imagination and initiative as they once had has atrophied.

As enterprises grow—either in business or government—there is an increasingly desperate need to retain and profit from the initiative, ingenuity, imagination and personal enterprise of the bright young people these enterprises hire by the hundreds. Make them live by the book, require them to do only what they are told to do, and they become helpless as baby robins. Delegate authority to them, test them with real responsibility, put them on their own and they will make mistakes, but simultaneously they will develop initiative, exercise their imaginations and grow.

Most businessmen would agree with this recitation of the advantages of decentralization. But many businessmen still find it difficult to delegate. Why?

One reason is that "If you want a thing done well, do it yourself" is a deeply rooted belief for many men. They rose to their present positions by excelling in one way or another. Their very success has given rise to habits of doing and a mistaken notion that the successful executive is the genius who has a thousand balls in the air at the same time, who calls the shots and who keeps tabs on everything.

If decentralization is to succeed, this attitude must change.

Lucius Clay, chairman of the board, Continental Can Company, has written of delegation as an art; and an art is something more than a set of rules for stating policies, defining jobs and establishing controls. This art requires of the successful executive more than the application of tested methods. To build a truly decentralized organization that succeeds by



Letting others do jobs you excel in requires exercise of restraint

Delegating responsibility

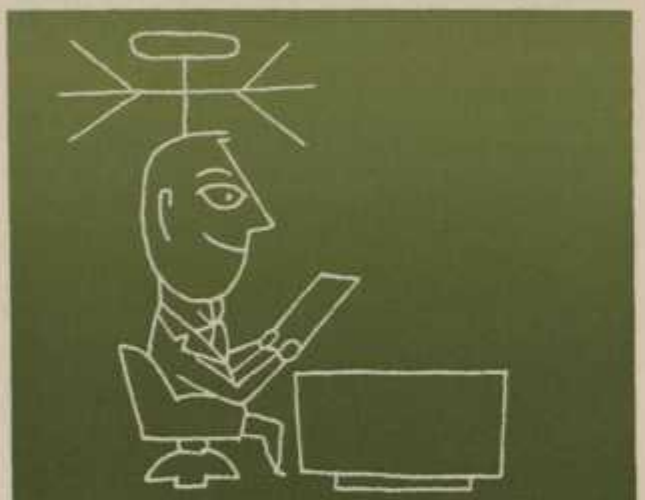
getting initiative, imagination, self-discipline and loyalty out of his people, the executive must demonstrate four important personal attributes:

1. He must be receptive to other people's ideas; he must have a minimum of the NIH factor (not invented here!) in his makeup; he must be able not only to welcome the ideas of others but to plant his own ideas in the minds of others and to compliment them on their ingenuity.

2. He must be sufficiently placid to see others make mistakes and to charge the cost as an eminently worthwhile investment in the development of his most valuable resource—people.

3. He must be willing to forego the luxury of blowing his top, of berating his assistant. To delegate authority requires that the boss limit his criticism of the individual who tries but fails; to criticize is to discourage the individual's willingness to try again, to make use of the authority delegated to him.

4. He must be able, if he knows much about the detail of the business, as he probably does, to exercise great powers of self-restraint. He must be content with exercising broad controls over results and refrain from telling the sales manager how to sell or the comptroller how to keep accounts, no matter how expert he may have been in either field.



The successful executive needs to be receptive to ideas of others

Mastering the art of delegation, like the mastery of any art, requires patient and earnest effort. The mastery is worth this effort because this mastery is a prime requisite to success as an executive today—essential to his personal success as well as to his company's. As Ralph Cordiner of General Electric has said: "The work of the manager requires conscious selection of the tasks reserved to himself. Then it requires deliberate delegation of everything else to others in the organization within the framework of his well designed organization pattern, no matter what wrench this may require from his working habits. Only thus can he surely organize himself to reverse the destructive trend of early mortality for business executives and to meet the true challenge of professional management with which he must cope."

Once the businessman has mastered the art of delegation, he is ready to take the five steps necessary to make decentralization work. They take effort but they aren't difficult.

The specific things that need to be done if the businessman wants to anchor authority (and responsibility for action) low in his organization are:

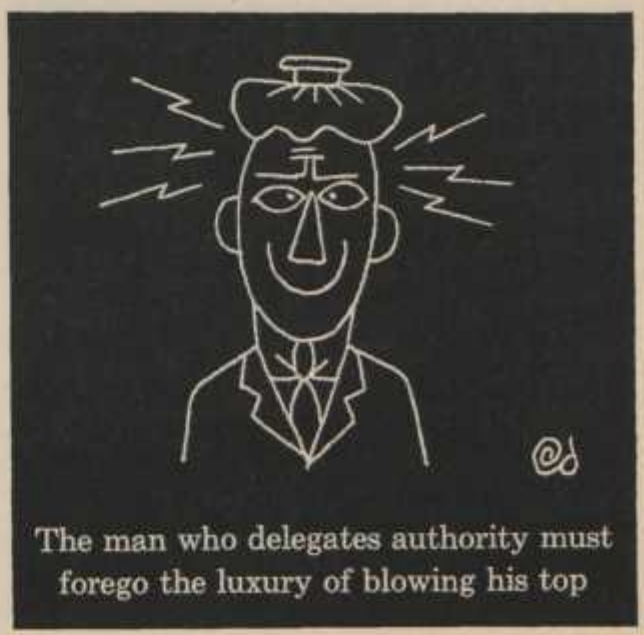
1. *Policies must be stated clearly and explicitly.* Take, for example, the problem confronting the president of a company that had absorbed five smaller companies over a two or three-year period. The parent company had taken over much of the work formerly done by the managements of the five companies. Operations had slowed down; the organization was admittedly top-heavy. The president wanted to make each of the five companies operate on its own, as he said, under central leadership.

Specifically he wanted each to do its own purchasing. This meant that the corporate purchasing director had to spell out the policies that would guide five divisional purchasing managers scattered from Philadelphia to St. Louis. These policies stated, in general terms, how vendors were to be selected, what inventories should be maintained, who was authorized to buy, what credit terms were sought, what reciprocity was to be given customers, and when the purchasing man might accept a gift or entertainment from a vendor. Given these policies each divisional purchasing agent could go about his job with assurance that he knew the rules of the game. Moreover, each could be held fully accountable.

2. *Jobs must be defined.* Every executive and superior to whom authority is delegated deserves a clear statement of the principal responsibilities that attach to his position. Then he can go ahead, and then he can be held accountable.

An extreme example of the need for precise job definitions was posed by the chief engineers of a fleet of ships who were left uncertain of what authority they had to initiate repairs and maintenance they deemed necessary or to spend money. In doubt, they undertook only the critical jobs while at sea and left all else for the shore crews.

The result was poorly maintained ships and higher costs. When the ships got to dry dock costly repairs, caused by neglect, were necessary. The solution was



The man who delegates authority must forego the luxury of blowing his top

There's something special about each of these plant sites



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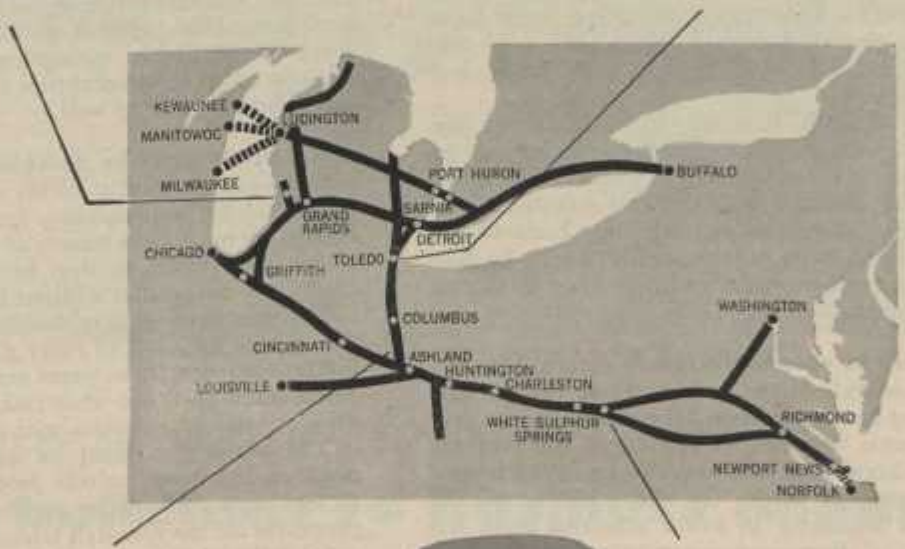
How would you like to have wonderful sailing, swimming, fishing right in your front yard? Good living makes for good employee morale. Several level industrial sites are available, adjoining the railway and near the lake or the Grand River. Overnight freight service to Chicago and Detroit.



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Delegating responsibility

simple. The engineer's authority to carry on his job while at sea was clearly defined; the delegation that had not worked because it was never clearly stated was made to work by the simple step of definition.

3. *Goals must be set.* Every one likes to know how he is doing. That basic human need can be supplied and the controls that are required when authority is delegated can be provided if specific goals are set for every task that is delegated.

The salesman's quota is a long-time illustration of the value of goals. The salesman is much on his own; he has been delegated authority to sell in a territory, and no one can tell him how as he goes from customer to customer. The quota provides him not only with a goal; it provides a persistent discipline that tells him how well he is doing and gives the boss an automatic control.

Plant managers, whose responsibility it is to put out a specific quantity of product at low costs, can be judged in terms of standard costs and engineered measures of quality.

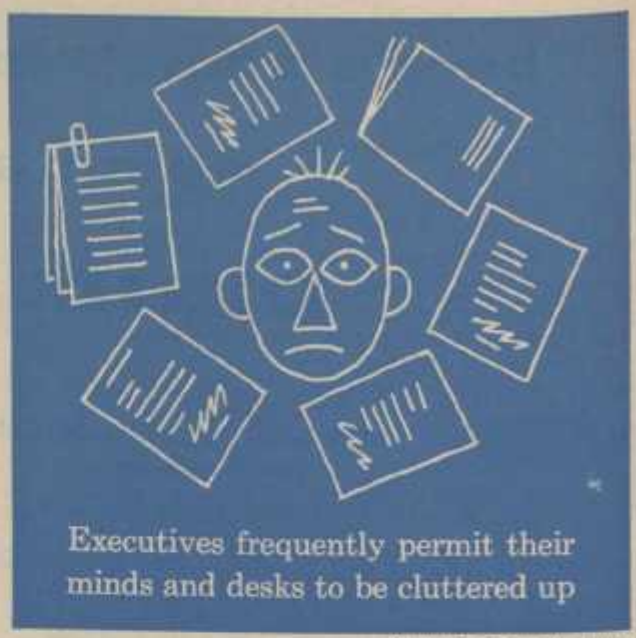
A few weeks ago a group of plant managers of the Owens Corning Fiberglas Corporation were discussing the individual profit and loss statements they had just received for the previous month. The self-disciplining effect of these statements which indicated what they had produced and at what profit or loss, in relation to predetermined standard costs, was obvious. They knew how they were doing, they knew that controls existed, and they didn't have to be told where improvements were needed; they have clear authority to move in.

It is more difficult, however, to evaluate the performance of a research director, for example, whose objectives cannot be stated so specifically. Even here projects can be defined, budgeted and scheduled, and progress can be measured against these budgets and schedules, though more judgment will have to be used in making the evaluation than with the manufacturing or the sales executive.

4. *Ideas must be communicated.* A central idea underlying decentralization is that those people who have the front-line experience—the salesmen, the production foremen, the project engineers, the cost analysts—have knowledge and ideas that must be tapped when decisions are made. On the other hand, the delegation of authority to lower echelons must not be permitted to discourage communications between the supervisors and their superiors, or laterally among division chiefs.

A national airline which had delegated to local managers much authority for handling customer relations encountered all three communication ills. The local managers took seriously the instruction that they were on their own. They felt that headquarters neither knew nor cared what they were doing. They felt that constructive criticisms and suggestions would fall on deaf ears. They hesitated to ask questions fearing that this would reflect on their ability to discharge their newly delegated authority. They hesitated to consult with and inform other division chiefs, taking all too literally the advice that each was to run his own show.

Stagnation crept over the organization. Top executives had less knowledge on which to base decisions. Local managers became cautious, lacking the reassuring opportunity to consult with the boss when they were not sure as to what to do. Coordination was obviously lacking. All that was needed was free and easy communication to make decentralization work. A program to encourage communication upward was initiated. Rewards were offered for worth-while suggestions. A conference program was initiated to bring local managers together to exchange experiences in doing the job and in management, and great emphasis was placed on the importance of circulating ideas, upward and laterally as well.



Executives frequently permit their minds and desks to be cluttered up

DRAWINGS BY CHARLES DUNN

5. *Controls must be established.* A top executive can delegate authority to do a task, but cannot rid himself of the responsibility for getting the task done. Hence, he must have means of knowing what is done, of knowing when to step in and take action. You can't have delegation without control.

The practices in a midwestern company illustrate this. There the work of every division is planned each fall for one year, three years and five years in advance. These plans spell out what tasks are delegated to each division and to subunits within each division.

The plans are based on sales forecasts for each product, but they include production plans for each factory and each major machine, financial budgets, programs for the research laboratories, scheduled projects for the engineers, a capital budget scheduling new construction and the replacement of equipment, a month-by-month forecast of cash required, and an estimate of profits to be produced.

These plans are discussed with the foremen and supervisors in each plant, in each laboratory, in each division, and in each branch sales office. For the delegatee these plans provide concrete definite goals for each month in the year. But simultaneously they provide for the foreman, the supervisor, and the president, as well, clearly stated controls. Each regularly knows when any unit is falling behind or running ahead.

JOHN J. CORSON
Partner, McKinsey & Co.
Management Consultants

REPRINTS *of "How to Delegate Authority" are available for ten cents a copy or $7.50 per 100, including postage, from Business Manager, Nation's Business, 1615 H St. N.W., Washington, D.C.*



Butler Builders John Chapple and John Loftus of John F. Chapple & Co., Chicago, inspect a miniature Butler Warehouse that is featured in a new Butler slide film.

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CONSUMER SPENDING— CIVILIZED AND SOUND

Here's what Ford sees for the future

YOUNG people are impatient to acquire the consumer goods their parents worked and saved a lifetime to get.

They want cars, washers, driers, television sets, toasters, steam irons, appliances now—not at some uncertain time in the future.

This explains the growth of consumer credit, according to the Ford Motor Company's manager of economic studies, Stahrl Edmunds.

Mr. Edmunds believes that credit buying will grow bigger—instead of smaller—in the months and years ahead.

Consumer credit indebtedness, he says, will rise from approximately $36,000,000,000 today to an estimated $48,000,000,000 by 1965.

That's civilized and sound, he thinks.

Gross national product, the total of all goods and services produced in the United States, now is a little more than $400,000,000,000. It will reach $550,000,000,000 by 1965, Mr. Edmunds predicts, asserting that his estimate probably is on the conservative side.

Here are some specific projections:

Auto expenditures, $12,000,000,000 in 1955, will reach an annual level of $16,000,000,000 by '65.

The number of two-car families will increase from 4,300,000 now to 10,000,000 then. The figure was 1,500,000 in 1950.

Motorists will demand bigger, more expensive cars. This trend already is apparent.

Total consumer outlays for durable goods will rise from the present $35,000,000,000 to $48,000,000,000 by 1965.

Other forecasts:

- Government spending will rise to $110,000,000,000.
- Disposable income will go up 40 per cent to $430,000,000,000.
- There'll be 60 per cent more U. S. spending units with incomes of $5,000 or more.
- Suburbia will continue to grow.
- Cities will grow more, too.
- Another marriage boom will occur in the next few years.

It's on these assumptions that the automobile industry is basing its plans for future production and sales.

The Ford studies, Mr. Edmunds says, tend to allay fears that consumer credit is now overextended. He joins other economists in opposition to a return to the government's Regulation W type of control over consumer credit buying. The credit industry itself, he believes, has prevented excesses.

Mr. Edmunds, in this connection, notes that the auto industry has experienced no particular debt delinquency problem. There have been few losses on credit sales and the percentage of weekly wages spent in retiring auto indebtedness actually is declining.

For the near future, Mr. Edmunds looks for 1956 to be a 6,500,000 car year. He believes the financial position of consumers is strong and that there is sufficient credit supply to sustain a 6,500,000 car year.

Mr. Edmunds has made some specific projections of buying patterns that will expand in relation to total consumer spending and those which will contract, or decrease. Spending rate is compared with the prewar rate.

The projections show:

Americans are spending more for airline travel, housing, foreign travel, auto transportation, education, religious and welfare activity, medical care, and clubs. They will continue to do so in the future, Mr. Edmunds says.

As income rises, Americans will tend to spend proportionately less of the increase for such things as radio, TV, musical instruments, sports equipment, jewelry and watches, clothing, spectator amusement, and rail, bus, and streetcar transportation.

They'll spend proportionately less for food, household operations, and beauty care. These items, however, will not fall appreciably. END

CONSUMER CREDIT: *Who owes what to whom*

24,000,000 U. S. spending units* now owe $28,000,000,000 on installment accounts. 14,000,000 of the 24,000,000 owe less than $500.

Here's the breakdown:

Automobile paper	**$14,397,000,000**
Other consumer goods paper	**6,209,000,000**
Home repair, modernization loans	**1,599,000,000**
Personal loans	**5,579,000,000**

Institutions to which this credit is owed, and the amounts, are:

Commercial banks	**$10,398,000,000**
Sales finance companies	**8,964,000,000**
Credit unions	**1,589,000,000**
Small loan companies, mutual savings banks, etc.	**3,028,000,000**
Furniture stores	**909,000,000**
Department stores	**1,341,000,000**
Auto dealers	**559,000,000**
Household appliance stores	**281,000,000**
Hotels, laundries, other service businesses	**715,000,000**

*A spending unit includes not only families but households comprised of other individuals, such as bachelors living together, widowed mothers and their children, etc.

All data above from latest published reports of the Board of Governors of the Federal Reserve System.

MODEL INJURY LAW

continued from page 31

accidents reduced by two thirds since 1911, when workmen's compensation emerged.

This dramatic reduction of accidents and industrial diseases, brought about largely by the safety programs of employers and their insurance companies, has held costs down. While employer payments for workmen's compensation insurance —about $1,300,000,000 a year—have doubled since 1947, the cost in terms of per cent of payroll has remained about one per cent of aggregate payroll.

Figures compiled by Liberty Mutual show that, since 1940, the benefits made available to injured workers by revisions of state laws have gradually increased 48 per cent. Yet the premium rates collectible from employers have constantly remained below the 1940 level and are currently five per cent below.

The Department of Labor will be active in the states during future legislative sessions on workmen's compensation and other state labor laws. Secretary Mitchell denies, however, that there will be any lobbying or intervention—merely assistance.

The Bureau of Labor Standards, which interests itself in state legislation, has retained in its new budget $40,000 which it had been given this fiscal year on a one-year basis mainly to draft the model law. At hearings on the appropriation request, House Subcommittee Chairman John E. Fogarty of Rhode Island, Democrat, former president of Bricklayers Union Local 1, asked the bureau director, Mr. Gurske, why any more money was needed now that the model law had been drafted.

Mr. Gurske said the states and eight legislative committees will want the law's provisions explained, and it will take a long time.

Industrial safety

An administration bill pending in the Senate and House Labor Committees would provide grants-in-aid, for which the President is requesting $2,000,000, to assist states in developing and expanding industrial safety programs.

Allotments under the proposed Industrial Safety Act would be made to states having safety plans which meet federally set standards, and would be made on the basis of the number of wage earners, industrial hazards, financial need and other relevant factors, with a $15,000 minimum. For the first two years, par-

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MODEL INJURY LAW

continued

ticipating states would have to put up matching funds of not less than 25 per cent of the total; the third year, 33⅓ per cent, and thereafter 50 per cent.

Sen. H. Alexander Smith of New Jersey, who introduced the bill in the Senate on behalf of seven other Republican senators and himself, said:

"While the regulation of industrial safety is a proper function of the states, except where the national interest is directly affected, the current resources of state agencies for safety development programs have been so limited that they preclude even one inspection per plant annually in more than three fourths of the states."

Senator Smith quoted a Department of Labor estimate of $4,500,000,000 as the approximate cost, direct and indirect, of industrial accidents. Last year about 1,930,000 workers were disabled on the job, 14,200 of the injuries resulting in death. The rate of injury, in manufacturing, was 12.1 disabling injuries per 1,000,000 man-hours worked. These figures are slightly higher than 1954, due largely to increased employment and longer hours, but otherwise are the lowest in years.

The federal government's own safety program for its 2,500,000 employes has been attacked as "woefully inadequate" by a group of Democratic senators, who have introduced a bill for the creation of a Federal Safety Division in the Department of Labor. Its object, in the words of Sen. Hubert H. Humphrey of Minnesota, is "to promote a realistic safety educational program and a safety inspection procedure designed to reduce the human suffering and financial losses incurred as a result of industrial accidents in the federal service."

The annual direct and indirect cost to the federal government of accidents to federal employes is $128,000,000, an increase of $88,000,000 in ten years, according to Senator Humphrey.

Further, the record is very poor compared with private industry, he points out. The average rate of disabling injuries per 1,000,000 man-hours worked for the telephone, cement, steel, automobile, glass, aircraft, chemical, rubber and textile industries is 4.17 on the basis of National Safety Council figures and 6.6 as reported by the U. S. Bureau of Labor Statistics. In comparison, the average rate is 10.3 for employes of Navy, Commerce, Army, Air Force, Agriculture, Post Office, General Services Administration, Interior, and District of Columbia.

Senator Humphrey points out, further, that, during the ten years ending in 1954 private industry cut its accident frequency rate in half while the federal government improved its record by only 30 per cent.

Industrial safety will get national attention at the fifth biennial President's Conference on Occupational Safety, which will be attended in Washington, May 14 to 16, by 2,500 government, management, labor and other experts. Vincent P. Ahearn, executive secretary of the National Sand and Gravel Association, who has been executive director of the conferences since they were begun in 1948, says the conference does not, and will not, concern itself with the legislative aspects of safety.

Temporary disability insurance

President Eisenhower has endorsed the principle of nonoccupational disability insurance and proposed it for employes in the federally run District of Columbia. An administration bill, pending in Senate and House D. C. committees, would require cash sickness benefits up to $36 for up to 26 weeks. The proposed plan resembles the New York law in that the risk would be contracted-out with private insurance companies. Employer and employe would share the cost of not more than 60 cents a week per employe.

Sen. Clifford P. Case of New Jersey, co-sponsor of the bill, said nonoccupational sickness and disability insurance is "the last great missing segment of income insurance in this country."

On an average day, he said, about 4,000,000 workers are away from their jobs because of sickness or accident not connected with their work, and half of them are idle for at least six months. The wage loss from sickness averages around $100 per worker a year.

Many of these disabled workers, however, have some protection against wage loss under voluntary plans, including insurance, paid sick leave and employe mutual benefit associations, which cover three out of five workers. Employers feel, therefore, that the need is better met through voluntary group and individual programs, which are continually improved and expanded, rather than through compulsion by law.

In addition, millions of other employes have some measure of loss-of-income protection through informal wage continuation practices of their employer. END

STEEL

continued from page 41

politics which produce such events are becoming increasingly rare."

Mr. Stephens says, "In our collective bargaining conferences of '54 and '55 we have seen greater restraint and more orderly and friendly discussion than in earlier years."

But he warns, "Probably we shall never be completely free of strikes because when either side encounters at the bargaining table exorbitant demands, adamant positions or matters which it regards as involving principles, a strike may result."

A recent exchange of criticism between U. S. Steel and the union may indicate trouble ahead. The corporation, in its annual report for 1955, said industrywide unions with leaders having the power to cause industrywide strikes and seeking to outdo each other in raising employment costs are one of the basic roots of an inflationary trend.

"The abuse of labor monopoly privilege, and the monetary policy that transfers to the public in higher prices the penalty of that abuse, appear to be the main elements of institutionalized inflation," the report stated. "It would be most helpful in this regard if those responsible for determining wage costs and fiscal policies were aware of the inflationary potentials of their decisions."

Mr. McDonald retorted by accusing the corporation of gratuitously insulting the union while reporting record production, record sales, record profits, and record dividends, and making a profit on the last wage increase.

Previous big strikes by the United Steelworkers all have involved major principles in labor-management relations, and government intervention was a factor in each of them.

The Little Steel strike for union recognition in 1937 followed passage of the Wagner Act which required employers to bargain with unions representing a majority of employes. U. S. Steel, largest producer, had voluntarily recognized the union.

The six-week strike in 1946 stemmed from problems of reconversion wage-price policy, with President Truman ultimately dictating the settlement while a panel he had appointed had the matter under consideration.

The union struck four weeks in 1949 for company-paid pensions recommended by a presidential panel although the panel agreed with the industry view that the contracts were open for discussion only of wages and insurance.

The long 1952 strike and govern-







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STEEL
continued

ment seizure followed recommendations of the Wage Stabilization Board on wages, fringe benefits and the all-union shop. The industry held firm in its opposition to a union shop requiring all employes to join the union to keep their jobs.

The short stoppage last summer followed a pattern of three years between each of the last four strikes. If the pattern continues, the next strike will be in 1958, not this year.

National and union politics as well as the basic economic issues complicate this year's negotiations. The issues were well publicized at the union's recent "Operation Soundoff" session in Chicago where the 170-man wage-policy committee listened to what the committee members were thinking about. The wage-policy committee will meet this month to formalize the union's demands.

The Chicago soundoff indicated demands which union economists estimate won't cost more than 20 to 30 cents an hour and industry sources insist will add up to a minimum of 40 cents. This is what the major demands will look like:

A "substantial" wage increase. The steel workers never put an exact figure on their wage demand. They will want at least the six to eight-and-a-half cents an hour automobile workers are getting as an annual improvement increase under their three-year contracts. Union economists will also cite record profits they claim the industry is earning, the high level of business and the strong demand for steel.

Steel worker contracts have 32 job rates, from $1.68½ to $3.54½, with a six-cent increment from one rate to the next. Average hourly earnings in basic steel in December were $2.47, according to the Bureau of Labor Statistics. The average in 1945 was $1.18.

The average basic wage for the entire year 1955 (with only six months at the present higher rate) was $2.24½ cents an hour, according to figures of the American Iron and Steel Institute. Premium payments, vacation pay, health insurance, pensions, social security and other fringes raised the over-all employment cost to slightly more than $2.72 an hour. Total steel payroll for 519,145 wage employes last year was $2,665,410,755.

Supplemental unemployment pay. The union wants at least the plan it got from major can companies last year providing for a guarantee of 65 per cent of take-home pay, including

state unemployment compensation, for 52 weeks for employes with three years of seniority.

This plan is more liberal than the 26-week, 60 per cent (after the fourth week) guarantee in automobile industry plans, although auto workers become eligible for benefits after only one year of employment. While automobile companies are contributing five cents an hour into their SUP funds, the cost to the can companies is only three cents (although they have a five-cent obligation); the three-year employment rule eliminates practically all seasonal employes from benefits.

There will be some pressure from younger steel workers for one year employment for eligibility (instead of three), and from long-service union members less likely to suffer layoff for vesting of unemployment benefits. The major flat glass manufacturers have earmarked funds for individual workers, who hold a vested interest in their fund.

Premium pay for week-end work. Steel workers do not get extra pay for work on Saturdays and Sundays if those days are part of their scheduled workweek. This is because steel mills have continuous operations around the clock, seven days a week. The union will ask for time and a half on Saturdays and double time on Sundays. The Wage Stabilization Board in 1952 recommended time-and-a-quarter pay for the week end.

The industry says the demand will add 25 cents an hour to the payroll. The union asserts it will cost only 12½ cents if seven-day operations are continued, and only six cents or less if operations are rescheduled to minimize week-end work. The union is retaining a management expert to document its case for this demand.

Company-paid health insurance. The union wants more comprehensive hospital and surgical benefits and wants the industry to bear the whole cost. Present cost, nine cents an hour, is now shared equally by the company and the worker. U. S. Steel and Bethlehem have just increased their benefits with surpluses from their insurance funds.

Union shop. The steel workers struck eight weeks in 1952 and failed to get a full union shop. They feel they are in a stronger position this year because the union shop prevails in the automobile industry, following General Motors' capitulation last year, and because almost all of the eligible workers already belong to the steel union. In U. S. Steel, 95 per cent of eligible employes in steel producing operations are USW members.

Under present contracts, new employes are required to apply for un-



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ion membership but may withdraw the application if they notify the company within 30 days that they do not wish to join the union. Those who become members are given a chance to resign at the end of the contract period. The union wants all employes to be required to join and, further, not be permitted to withdraw later.

The steel workers have a dues checkoff arrangement under which the companies collect $35,000,000 a year and pay it directly to the international union. The international then refunds half to the local union. U. S. Steel last year paid the union $7,000,000 in dues and initiation fees deducted from workers' pay checks.

A big union leader is also a political figure at least within his own union. He has to deliver to be reelected. Dave McDonald has three areas of political interest: his own 1,200,000-member union, the 16,000,000-member AFL-CIO, and the national political arena.

Mr. McDonald, as secretary-treasurer of the United Steelworkers from the union's inception, took over the presidency near the end of 1952. Although he was elected by referendum to a full four-year term in February, 1953, he still had to prove himself a worthy successor to Philip Murray, who also was president of CIO.

Mr. McDonald overcame the first serious threat to his union leadership last fall when three McDonald men appointed to elective offices by the international executive board were challenged in special elections and won handily. They were Vice President Howard R. Hague and District Directors John R. Sullivan in Homestead, Pa., and B. W. Ohler in Cleveland.

There have been rumors, discounted by Mr. McDonald, that District Director Joseph P. Molony of Buffalo, who ran against Mr. Hague, might run against Mr. McDonald for the $40,000-a-year presidency in next February's quadrennial referendum.

Mr. McDonald will also have to account for his stewardship at the union's twentieth birthday convention at Los Angeles in September.

Within the general labor movement, the steel workers' president is establishing himself as an influential leader. His threat to pull the steel workers out of CIO was largely responsible for the CIO's decision to merge with the AFL last December. He particularly wants to overshadow Walter P. Reuther, president of the United Auto Workers. For that reason he wants to get more for steel workers, bargaining year-to-year on wages, than Mr. Reuther is getting under his long-term agreements.

In national politics, Mr. McDonald is an active Democrat and will be a delegate from Pennsylvania to the national convention in August. His union is among the most active in politics at state and national levels. He would not want a steel strike that would hurt the Democratic chances in the election.

Dave McDonald also wants to be a statesman in labor relations. He has a philosophy of modern labor-management relations which he calls "mutual trusteeship." As he conceives it, the union leaders are trustees for the membership and the company executives trustees for the stockholders, and they should work together to build great enterprises for the good of all.

"We know that profits are necessary to provide return to investors and means for progress," Mr. McDonald said at a recent conference of the American Management Association. "We know that stability is important so a company can plan ahead. We know equally that the worker must feel he is getting a fair shake so he, too, can plan ahead.

"The recognition that we each have a role to play and that together we can progress is the key to future prosperity. This mutual acceptance and knowledge of our trust is what I mean by mutual trusteeship. It is a logical expression of our American way and our progressive traditions."

Mr. McDonald says the steel

WORK STOPPAGES *in the basic steel industry (blast furnaces, steel works, and rolling mills)*[1] *1927-55*

Year	Stoppages beginning in year		Man-days idle during year (all stoppages)
	Number	Workers involved	
1927	1	450	1,350
1928	3	370	5,300
1929	2	770	10,800
1930	3	1,020	11,300
1931	5	1,870	9,680
1932	5	3,620	379,000
1933	11	21,300	252,000
1934	8	11,500	287,000
1935	9	5,020	36,800
1936	11	9,410	298,000
1937	39	137,000	2,560,000
1938	8	8,080	106,000
1939	10	6,070	80,000
1940	25	20,600	135,000
1941	104	158,000	476,000
1942	77	29,400	59,300
1943	207	204,000	369,000
1944	345	135,000	404,000
1945	248	182,000	997,000
1946	89	493,000	10,800,000
1947	41	58,200	283,000
1948	52	18,700	430,000
1949	68	445,000	10,600,000
1950	120	78,600	296,000
1951	146	131,000	562,000
1952	105	530,000	20,400,000
1953	130	132,000	522,000
1954	63	43,600	175,000
1955	119	465,000	759,000

[1] *The definition of the industry as used in this study conforms to that provided for industry classification 331 in the Standard Industrial Classification Manual, Volume 1, part 1, November 1945 edition, issued by the Bureau of the Budget. Earlier issues have used slightly different titles for the industry but the components and substance of the industry remain the same.*

Source: Bureau of Labor Statistics

workers do not fit the popular conception of a union as having a selfish approach, with no concern for the equity of management.

Before entering the steel industry in 1934, John Stephens had been president of Research, Inc.; Aqua Rubber Co., Celluloid Corp. and Bush Terminal Railroad, among other executive positions, and had organized and administered New York City's work relief program while carrying on as vice president of Thompson, Starrett Co. He has been bargaining with the United Steelworkers since 1941 and has been in charge of U. S. Steel negotiations since 1943.

U. S. Steel has tried to develop a friendly and constructive attitude on both sides. In 1947, Mr. Murray and Benjamin Fairless, then president of the corporation, wrote into the bargaining contract a statement recognizing the respective rights and responsibilities of both the company and the union, and stressing that proper attitudes flourish best when it is clear to all that the company is not antiunion and the union is not anticompany.

After the 1952 strike Mr. Fairless proposed joint union-management tours of U. S. Steel plants to develop better relationships and better understanding of each other's problems. These were begun in 1953, and plants were visited in Cleveland, Chicago, San Francisco, Los Angeles and other cities in which 85 per cent of U. S. Steel employes represented by the union worked.

Mr. Stephens feels the tours have done some good. Wildcat stoppages have been reduced. Mr. McDonald himself is attracting industry notice with such talk as this:

"Certainly the working force must see to it that the steel properties are operated successfully, because if they are not operated successfully, they will have no jobs. Both [labor and management] have an obligation to the owners, to the stockholders, because without new money flowing into these industries, we will have decadence in our country. That we will not stand for."

Can anyone, Mr. Stephens asks, disagree with that? He does not mean to imply that Dave McDonald has gone soft. The union leader flexed his muscle when he shut the steel industry down momentarily last summer, Mr. Stephens points out. But he believes Mr. McDonald's logic will increasingly come into steel bargaining and, over the years, steel workers and management together will earn higher wages, better fringe benefits, and at the same time assure equity to owners and the public. END



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RUBBER RECORD

continued from page 35

the Federal Facilities Corporation (last of several agencies which ran the show from Washington), industry—that is, the contract operators of the government's plants—pressed repeatedly for higher quotas, sensing an approaching high demand for rubber, particularly in automobile production, which consumes more than half of all the synthetic rubber made in the United States each year.

"But Washington did not want to risk putting money in inventory—something a smart businessman often does. As a result, the 1955 surge swallowed up almost all available stocks of synthetic. At the time of the plant transfers last April there was less than a two-week supply of synthetic in this country."

Government, in its own defense, says it saw no point in building up large stocks of fixed-price synthetic in late 1954 because it was planning to get out of the rubber industry within a matter of months.

But industry asks what might have happened to auto production and to the economy in general if the government had sliced synthetic inventory any thinner than it did. In their own plants now the rubber makers keep at least two-months supply of rubber on hand at all times to compensate for sudden upward shifts in consumption and to guard against possible stock losses from fires and explosions.

It is idle, perhaps, to speculate now on how well or how poorly government might have responded to last year's pressure on man-made rubber, a pressure which was made more acute by high prices of natural rubber, most of which comes from British and American-owned plantations in Southeast Asia.

The fact remains that private industry did set an all-time record for production in a year in which it was its own master for only eight months. This is an impressive record, even allowing for the fact that most of the purchasers of the government's plants were the people already operating them on contract, and that no drastic personnel or other changes were necessary after the transfer. The record was achieved by eliminating production bottlenecks in some plants, by more judicious scheduling of the inflow of butadiene and other feed stocks used in making synthetic, by faster decision-making—but without major outlays for new equipment or a material increase in the price of synthetic rubber in the world market. This at a time when natural was running as much as 30 cents per pound above the price of synthetic.

"The proof is in the production record," an observer of the industry told NATION'S BUSINESS. "The private operators simply demonstrated that they could get more rubber, faster, from the same productive facilities."

To understand why this is so one must consider some of the basic differences between a private operation and one controlled by government. And, specifically, the production of synthetic rubber.

Over-all policy for the national rubber program was set by an interagency committee made up of representatives of several government departments and agencies. Decisions of this group were handed down to the agency directly responsible for making the program go. At the time of the transfers last year the Federal



Facilities Corporation was in the saddle.

Government was responsible for the operation of some 15 rubber-producing plants, and about ten facilities manufacturing and distributing the various chemicals from which different types of synthetic rubber are made. It was charged with ordering the feed stocks, overseeing the operation of the individual plants, and for allocating the finished synthetic materials. It did not look upon its assignment from the particularized, or individual plant, point of view. It saw the program in the round. It made generalized decisions, designed to apply to a necessarily diffuse complex of plants. It could not apply the closely targeted pressures which the individual businessman can apply. What it did and said went for the whole family.

Under private ownership the U. S. synthetic rubber industry is a highly competitive business in which some 15 companies are engaged. Each company is running its plants full throttle, constantly trying new ideas to outperform its competitors. Any money lost—and surprisingly little is lost—is not a loss to the taxpayers, but to the shareholders of private companies. This is a critical distinction. Private industry not only is willing to take reasonable risks, but insists that they be taken to insure steady improvement of its product and market position. But government, as one industry leader phrases it, "always acted a little bit timid, a little bit inhibited, and when you consider that it operated the synthetic rubber industry at a net loss much of the time you begin to understand why."

Despite criticisms of the government's role as a rubber producer, the rubber program was probably one of the most efficient invasions of business which Uncle Sam ever made. His entry into the business was necessitated by the pressure of World War II. Supplies of natural rubber in Asia, on which American manufacturers had long relied, were cut off by the Japanese early in the war.

We needed rubber, and we needed it fast. Only the government had the capital at hand to create a huge plant capable of producing the rubber which our defense industries were clamoring for.

The war had scarcely ended when pressure for returning the industry to private ownership began to make itself felt in Washington.

"It was always the government's intention to return the plants to private ownership eventually," says Everett Holt, assistant director for rubber, Chemical and Rubber Division, Business and Defense Services Administration.

"The private contract operators naturally didn't like having somebody in Washington looking over their shoulder, telling them how much rubber they could produce, and so on.

"I think this fact, more than any other, explains the pressure which led to the final legislation which implemented the transfer. The businessman just doesn't want the government in his business.

A shred of FFC still exists, since the government still owns, and leases, an alcohol-butadiene plant at Louisville, Ky., and a quantity of stand-by catalyst equipment at Baltimore, Md. These properties are slated to pass from government ownership sometime this month or next, following their sale to private bidders by the Rubber Producing

Facilities Disposal Commission in Washington.

The block of 24 plants sold to private operators in April, 1955, carried a $261,000,000 price tag. The government later disposed of two other facilities, one at Baytown, Tex., the second at Institute, West Va. Sale of these plants, and 400 tank cars, raised the total to $284,840,000.

One of the marvels of synthetic rubber's emergence from its government-spun cocoon has been the way in which the Rubber Producing Facilities Disposal Commission has handled its job of selling the various plants.

Industry and government observers alike laud the work of the three-member commission chairmaned by Chicago banker Holman D. Pettibone. (Other members: Leslie R. Rounds, Everett R. Cook)

The observers note that the commission might have flubbed its difficult assignment at any one of a number of stages. But almost everyone agrees now that the commission has discharged its duty smoothly, efficiently, and with an eye toward getting U. S. taxpayers the best price for each of the facilities it put on the block. Negotiations for the sale of individual plants were trying at times, and in the early stages of the commission's work there were politically inspired charges that the commission was making "giveaways" of the properties. It is difficult to find even shadows of such criticism today.

Meanwhile, the synthetic industry looks for intensifying competition from the producers of natural, or tree, rubber. Both segments of the industry are spending heavily for development of new types of rubber and new uses for existing rubbers.

The natural rubber industry is especially conscious of the need for improving its product supply and use. For natural rubber is subject to roller coaster variations in price, and at present is suffering from a distinct price disadvantage. The price of natural fell from a high of 52 cents a pound for No. 1 smoked ribbed rubber sheets last December, to a low of 31¼ cents on April 3. Basic grade synthetic, on the other hand, has been selling at about 23 cents a pound for more than a year.

The rubber market breaks down, roughly, into three areas—one of them a competitive battleground for synthetic and natural.

About a third of the market goes by default to natural. This is the area where unusual resiliency and heat dissipating qualities are desired —heavy truck, airplane tires, surgical gloves, etc.

Synthetic, on the other hand, has

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RUBBER RECORD

continued

dominated that third of the market which demands tough abrasive-resistant qualities in its rubber—chemical hosing, tire treads, gas hoses.

The third of the market which is competitive on price and quality between natural and synthetic centers chiefly around passenger automobile tires, certain types of belting, and industrial molded products.

The natural rubber producers recently have given new impetus to research in Southeast Asia, England, France and Holland.

H. C. Bugbee, president of the Natural Rubber Bureau, Washington, says "The new products and processes being developed in these research centers are well worth noting. Some of them already are known to the American market. One is now being tested by a leading rubber manufacturer. It won't be too long before others will be introduced here."

Mr. Bugbee explains that, in the Rubber Research Institute of Malaya and in other laboratories, research is now being carried on "that will up production per acre as much as four times. That means that in seven years when trees now being replanted start producing, these replacement trees will produce four times as much as their predecessors with no additional acreage or labor requirements. By markedly reducing production costs in this way natural will be in a strong position to compete on price."

New products and processes on which the natural rubber industry is now working include rubber rail pads, colored auto tires, rubber subway tires (the Paris Metro has ordered 72 rubber-tired subway cars for delivery in the fall), plastic-type thread, cyclized rubber adaptable for shoe soling and kindred uses and a new "superior process" rubber.

It is a widely held belief in the rubber industry that the world will need all the rubber it can get in the days ahead, thus insuring good markets for both natural and man-made rubbers. U. S. consumption of rubber has doubled every ten years since 1900, and now stands at an annual per capita consumption of about 19 pounds.

Moreover, consumption of rubber is increasing rapidly in the highly industrialized European countries. And development of industry in Latin America and other parts of the world heretofore dependent upon agriculture also may be expected to sustain high future demand. END

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PRICES

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In short, then inflation will be avoided.

Other powerful tools which will mitigate against inflation are the steady march of science, research, discovery, technological improvements, innovations, coupled with vigorous competition. Today, we are spending nearly $6,000,000,000 on research and development. Enrollment in engineering colleges has increased about 50 per cent in the past five years. The man hours devoted to science, research and development have about doubled since 1945.

While there is no evidence that our rate of technological improvement or productivity gains are greater today than they were before the depression, there is good reason to believe that we are on the threshold of substantial gains in the years ahead. If our tax system and our relations between government and business encourage thrift and risk-taking, we can expect hundreds of billions of dollars to be invested in research, development, new plant and equipment.

Under competition, the technological gains are inevitably shared through the free and flexible price system, without government intervention, among all groups of producers. Such growth of science, research and the rapidity of innovations and improvements are a powerful factor which will help to keep prices on an even keel—to prevent inflation and even offset considerable aggressive collective bargaining.

If, then, we have the courage and the wit to follow a policy of high employment without overfull employment, there is good reason to believe that prices, while varying individually, will, on the average, continue to be relatively stable.

This doesn't mean that, if we move into a minor recession or plateau, many prices will not slip. They will. Similarly, it means that as we recover from a pause or minor recession some prices will rise to regain their former relative positions—modified, of course, by underlying changes of supply and demand and technology.

In short, our understanding of the nature and cause of inflation is thoroughgoing. We have it within our power—again, barring a major national emergency, such as war—to see to it that our pension or other retirement dollars a decade or a generation hence will have approximately the same buying power as our dollars have today.

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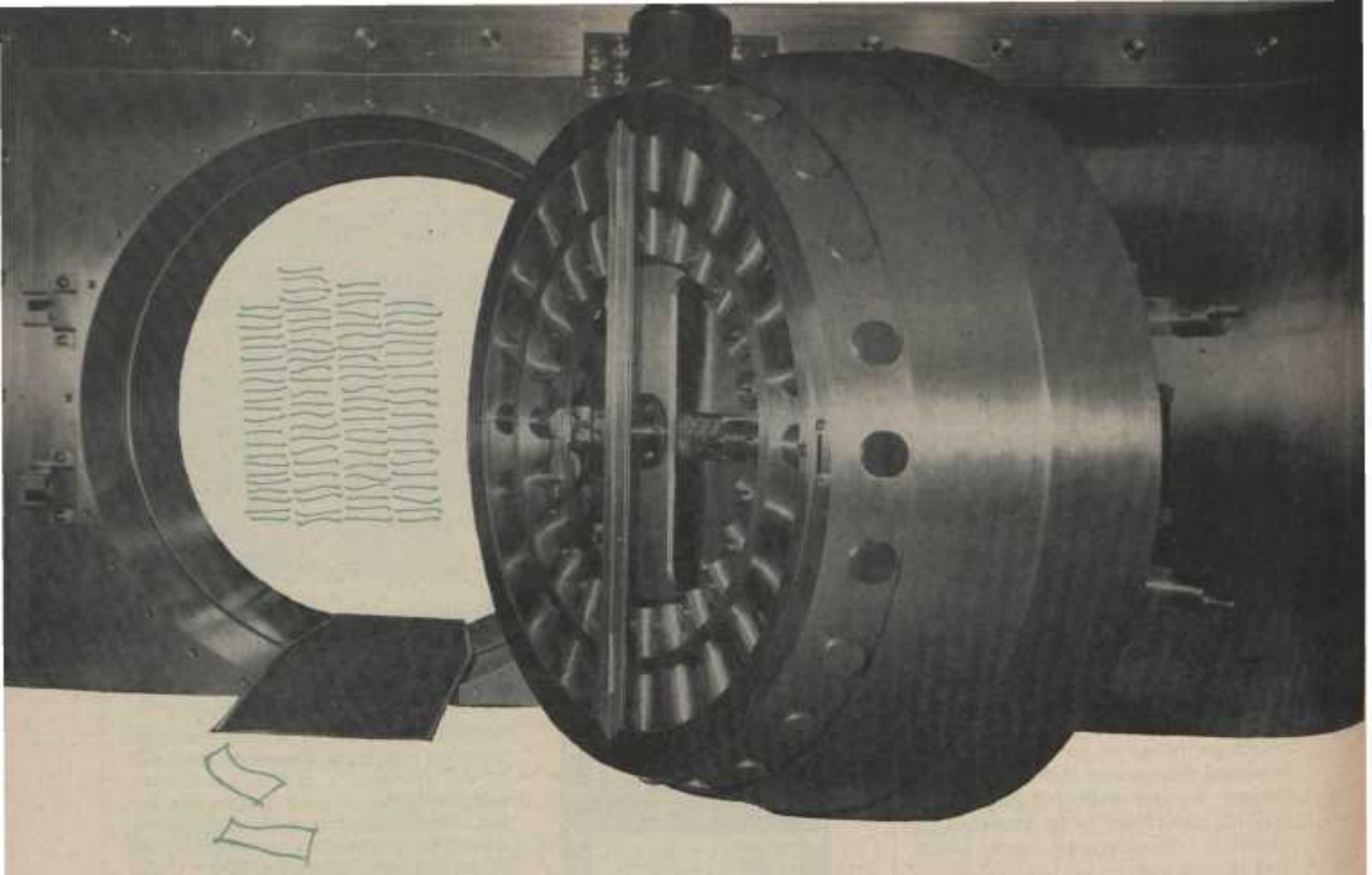


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And this annual saving of five and a half billion dollars could be made without impairing our national security — and without sacrificing any essential federal services.

The Hoover Commission worked for two years. It took a hard look at federal functions and activities to determine how to keep the Government within reasonable bounds. It had the help of more than 200 business and professional men. At the close of its study, the Commission made 314 recommendations to Congress.

To put the recommendations into effect requires action by Congress and the Administration — but not the same sort of action in every case. Specifically . . .

- *141 of the recommendations can be put into effect by the Administration;*
- *122 will require legislation; and*
- *51 will require action by both Congress and the Administration.*

To build public sentiment for the Hoover Commission recommendations – and to bring about favorable action on them without undue delay – the National Chamber is conducting a nation-wide action-getting campaign. The program is divided into four parts:

I. Conferences – Regional conferences are being held in all parts of the country to acquaint local businessmen with the Hoover Commission recommendations – and to show them specifically what they can do to work for their adoption. This series of meetings was launched by a conference in Washington at which Herbert Hoover was the principal speaker.



Businessmen from 30 states attended this National Action Conference on the Hoover Reports at which the National Chamber launched its all-out drive for adoption of the Hoover Commission recommendations — to eliminate waste and inefficiency in the Government and to save the American taxpayers $5,500,000,000 a year. In the weeks and months ahead, similar conferences will be held in cities throughout the country as part of the campaign to get action on the recommendations.

II. Pamphlets – The Chamber is making available for wide distribution a large number of pamphlets explaining the Commission's findings and recommendations. Titles already issued are:

- *"A Blueprint for Economy"*
- *"Eight Ways the Federal Government Can Save Your Money"*
- *"Check List for Congressional Action on Hoover Commission Recommendations"*
- *"A Digest of the Hoover Commission Reports"*
- *"Aids for Action on Hoover Commission Recommendations"*
- *"Eye-Openers" – a series of leaflets, each describing a startling Hoover Commission revelation of government inefficiency.*

III. Publicity – Through its regular publications, through trade journal articles, press releases, over the air, in speeches, and in every other way possible, the Chamber is publicizing the recommendations.

IV. Testimony – The Chamber has already testified before Congress on major Hoover Commission recommendations – and will continue to do so when the occasion permits.



Left — Of the 314 Hoover Commission recommendations, 173 will require action by Congress before they can be put into effect. Many bills relating to the recommendations are now pending. This booklet — which is kept up to date — contains a list of the bills and a brief description of each.

Right — The National Chamber makes available this "Aids-for-Action" booklet for use by businessmen who are interested in spreading information about the Hoover Commission recommendations and in working for their adoption.

Five and a half billion dollars a year is a sum worth saving. Efficiency in government is a goal worth striving for. You can do your part by: 1) familiarizing yourself with the Hoover Commission recommendations; 2) distributing the Chamber's pamphlets; and 3) talking to your elected representatives in Washington, letting them know where you stand on this matter, and giving them your reasons.

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Mr. and Mrs. Brundage relax at home in their Sheraton-Park Hotel suite



Budget director steps from office for a meeting with President across driveway



At 64, he plays at least a couple of rounds of golf every week end

Brush and easel, although strictly a hobby, occupy many of new director's idle moments



BUDGET DIRECTOR

continued from page 37

trustee of the Montclair, N. J., Community Chest. During World War II, he and Mrs. Brundage had charge of entertainment for servicemen in Montclair.

FOREIGN POLICY: For five years before entering government service, he was chairman of Federal Union, Inc., the organization which promotes Clarence Streit's plan for Atlantic Union. He has also been an active member of the Council on Foreign Relations, the Foreign Policy Association and the United Nations Association.

SPORTS: He was captain of the lacrosse team and on the track and tennis teams at Harvard, and has kept his wiry body (five feet nine, 160 pounds) in trim ever since. At 64, he is a better athlete than most men half his age. He plays a couple of rounds of golf every week end, goes ice-skating whenever he can find a patch of frozen water, skis, swims, bowls, and plays tennis. (He is dismayed to find that he is slowing down in the latter sport; "I get pooped after five sets.") He also likes mountain-climbing, and has scaled several of the Swiss Alps as well as most of the worth-while peaks in this country.

FARMING: He has a 300-acre farm at Long Valley, N. J., where he grows peaches and raises cattle, chickens, ducks, turkeys and geese. A resident couple tends the farm for him, but he gets his own hands in the black New Jersey dirt whenever he gets the chance.

GARDENING: He has bought a winter home near Fort Lauderdale, Florida, where he hopes some day to grow orchids and other tropical flowers.

PAINTING: Like his boss, President Eisenhower, he is a Sunday painter. Some of his canvases have been exhibited at the Century Club in New York.

DANCING: He and Mrs. Brundage are folk dancing enthusiasts, and belong to a Washington group that meets each Tuesday night for square dancing. Mrs. Brundage, incidentally, seems to have even more stamina than her husband; she can still play five sets of tennis *without* getting "pooped."

TRAVEL: Mr. and Mrs. Brundage also share a love of travel. For many years, before his new job tied him down in Washington, they went

abroad every year, usually to Capri or to Zermatt, Switzerland.

Since he became Deputy Budget Director on May 7, 1954, Mr. Brundage has sharply curtailed his outside activities. He puts in a six-day week at the Budget Bureau, and vacations are brief and infrequent. He managed to spend only two week ends at the New Jersey farm last year, and it has been more than a year since he got away for a skiing trip.

He has also severed ties with organizations, such as Federal Union, which might be inconsistent with his official position. But he still devotes as much spare time as he can to such noncontroversial pursuits as Youth Hostels, golf and square dancing.

The extraordinary catholicity of interests that Mr. Brundage has displayed throughout his busy life can be an asset in his new job. Under certain circumstances, it also could become a serious liability. To explain why this is true requires a close look at the peculiar institution he now heads.

During the 35 years since it was created, the Budget Bureau has evolved into the central management apparatus of the government. It is the White House staff agency through which the President seeks to maintain effective control over the federal colossus.

The Bureau has a number of functions that the public hears little about. For example, no federal agency can send out a questionnaire to more than ten persons without the Bureau's approval. Businessmen have been spared thousands of forms-to-fill-out by this one regulation.

But its main jobs are:

1. Preparation of the annual spending budget.

2. Reviewing legislation that is proposed by administration agencies or enacted by Congress, to determine if it is in line with the President's overall program.

Before the Bureau was established in 1921, there was no such thing as an integrated federal budget. Each government department and agency sent its own appropriation requests to Congress, without regard to what any other agency was requesting, and without regard to the total outlay that was being recommended.

The sharp increase in federal spending during World War I convinced Congress that this system was intolerable. It passed the Budget and Accounting Act of 1921 which laid down, for the first time in U. S. history, the principle that the President



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BUDGET DIRECTOR

continued

himself was responsible for the budget. The same law created the Budget Bureau and armed it with sweeping powers "to assemble, correlate, revise, reduce or increase" the spending requests of all federal agencies.

In practice, the budget which the President transmits to Congress each January has become the comprehensive work plan of the government. Thick as a Manhattan telephone directory, it spells out the Administration's programs and policies in the most meaningful of terms—money to be spent on them.

The task of preparing the budget is monumental. The Bureau is already at work on the budget for the 1958 fiscal year, which will begin July 1, 1957.

In the first phase, the Budget Director meets with the President, the Cabinet, the Council of Economic Advisers and others to work out the broad policies that will be applied to the budget. This involves making at least preliminary assumptions on tax levels, economic conditions and the world situation. A tentative ceiling on spending is sketched, and each agency is given a guide to how much it may ask.

By fall, the detailed estimates begin to flow in from the various agencies. The Budget Bureau holds a series of hearings at which each agency seeks to justify its proposals. With the aid of a highly competent, 420-man staff, the Director goes over every item, looking for trimmable fat. (He usually finds a good deal; some of it has been put there purposely by shrewd agency budget officers who are old hands at this.)

If a Department head feels that the Budget Bureau has cut beyond the fat and into the bone and sinew, he can appeal to the President. But most of the Budget Bureau's economy decisions stick. If they didn't the budget would never balance.

The all-pervasive power which this control over spending vests in the Budget Director is obvious. But he has another source of power which is almost as great.

Any federal agency that wants to place a legislative request before Congress must first get a green light from the Budget Bureau. Each draft bill is put through an extensive clearing process, in which all interested agencies are asked to comment. The Bureau studies these comments and makes its own independent appraisal of the bill, with particular reference to whether it fits in with the philosophy and program of the President. Similarly, when Congress passes a bill and sends it to the White House, the Budget Bureau studies the fine print, queries the affected agencies, and recommends to the President whether it should be signed or vetoed.

In carrying out these responsibilities, the Budget Director daily faces many questions that cannot be answered simply by running them through an adding machine. Inevitably, his decisions involve not merely the cost, but also the desirability and relative importance of a vast range of activities. It is no job for a narrow-minded man, and the demonstrated breadth of Mr. Brundage's intellectual equipment will be of inestimable value.

At the same time, it is obvious that a successful Budget Director must be, first and last, a staff man. He must be able to differentiate between his own ideas and those of the President he serves; and he must be scrupulously careful that it is the latter which he uses as a test of spending plans and legislative proposals. Above all, he must never give the appearance of publicly disagreeing with the President, or of trying to make basic policy in a field such as, foreign affairs or defense, where the responsibility for initiative is clearly assigned to others.

All of this has been emphasized to Mr. Brundage, in plain language,



by knowledgeable friends who want to see him make good. But there is some apprehension in administration circles that he has not yet fully absorbed these precepts.

This apprehension was fed by a couple of speeches that Mr. Brundage has made. Last Dec. 10, he addressed the Louisiana Society of Certified Public Accountants in New Orleans. Most of his talk was an innocuous discussion of the Budget Bureau and its work. But toward the end, Mr. Brundage could not resist the temptation to put in a plug for Federal Union.

Discussing administration efforts to trim defense costs, he said:

"Field Marshal Montgomery recently proposed the actual consolidation of our own forces with those of Britain. That, of course, would be more effective than even the closest coordination. Clarence Streit's plan for an Atlantic Union may be the most realistic of all—to have a common defense force and foreign policy and a stabilized currency with

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free movements of goods and services throughout the Atlantic Community."

Fortunately for Mr. Brundage, the speech attracted little attention in the press. It could easily have produced quite a flap, since, first, the implied endorsement of Montgomery's proposal was out of line with the State Department's attitude; and second, although the Eisenhower Administration has been cool to it, the Atlantic Union idea does have an enthusiastic supporter in Sen. Estes Kefauver, a candidate for the Democratic nomination.

In a speech before the New York State Chamber of Commerce in New York City March 1, Mr. Brundage undertook to defend the Defense Department's guided missiles program which some Democratic Senators have called inadequate. This time he did get in the papers—and drew a sharp blast from Sen. Henry M. Jackson, Democrat of Washington State. Senator Jackson challenged his statements about the extent of the Defense Department's effort and accused him of "attempting to mislead the American people."

Both of these incidents occurred before Mr. Brundage was promoted to the top job in the Budget Bureau. In the future, his speeches will be watched much more closely. Congress and the Washington press corps assume, from long custom, that the Budget Director speaks for the President when he makes a policy pronouncement. Any display of political naïveté by Mr. Brundage, from here on out, could be extremely damaging to the Administration, particularly in an election year.

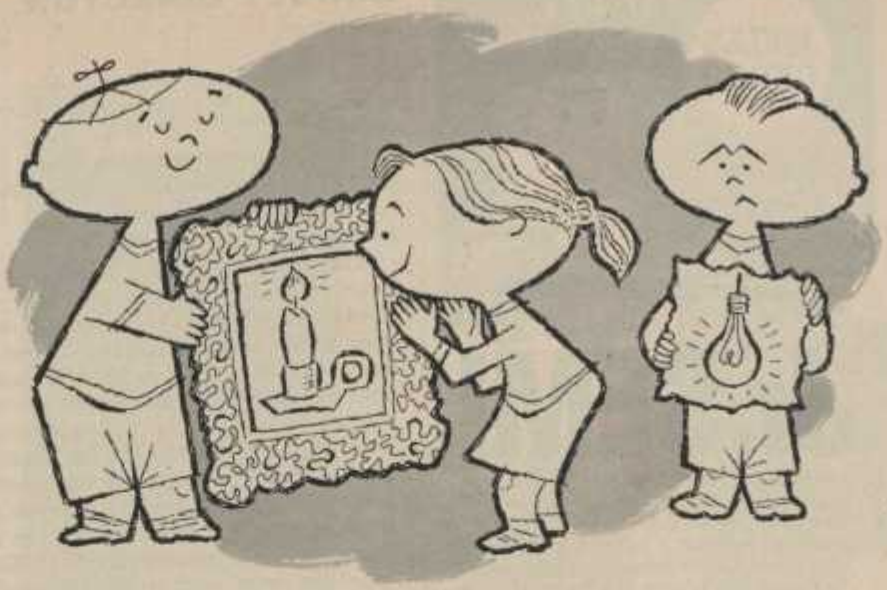
There are good grounds, however, for believing that Mr. Brundage will manage to steer clear of political pitfalls. He is learning to rely on the advice of the Bureau's professional staff, an able group of career men who know where the bear traps are laid. And he has a number of personal traits that will help him.

One of these is courage. "Percy Brundage," said one of his associates, "is a man of infinite guts. He will never back away from responsibility to protect his own skill."

He also has an extremely quick and penetrating mind. Bureau employes have been impressed with his ability to grasp, in a single briefing, all of the ramifications of a complex budgetary problem. He is regarded as a shrewd judge of character and a skillful negotiator.

Finally, and perhaps most important, he has the honesty and humility required to admit a blooper when he makes one, and to learn a lesson from it.

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BUDGET DIRECTOR

continued

said recently, "and I've taken them to heart."

He also quoted a motto which he said he intends to use as his guide: "The Budget Bureau should be felt, but neither seen nor heard."

The Bureau director's office is a huge, high-ceilinged room with a marble fireplace. It is on the second floor of the dingy old State Department Building which stands next door to the White House on Pennsylvania Avenue. The walls are hung with paintings that reflect Mr. Brundage's varied interests. There is one large portrait of cows grazing in a field; another of men skiing on a snow-covered mountainside. The windows look across Pennsylvania Avenue to Blair House.

Mr. Brundage has a lean, darkly tanned face. Deep lines form around his mouth when he smiles. He has a full head of steel-gray hair, which he parts on the right. He wears half-shell glasses.

He is a courteous, soft-spoken, friendly man, devoid of pomposity and self-importance, obviously eager to do a good job.

Prominently displayed on his desk is a black picture frame containing a scrap of yellow paper from a United Press news ticker. Dated last Nov. 19, the dispatch quotes Representative Clarence Cannon, Democratic chairman of the House Appropriations Committee: "We are going to quit spending money we do not have for things we do not need."

"That," said Mr. Brundage, "is an excellent philosophy—even if it comes from a Democrat."

Mr. Brundage, characteristically, was more willing to talk about public issues than about himself. Here are some of the viewpoints he can be expected to uphold in the inner councils of the Administration:

Debt reduction—The first $1,000,000,000 of surplus that shows up in the newly balanced federal budget "ought to be used to trim the national debt."

Taxes—"We ought to consider tax relief next year"—assuming that the surplus in prospect by that time will be big enough to cover both a tax cut and a payment on the debt. When tax relief is possible, "consideration should be given to reducing the corporation tax below 50 per cent and the top surtax brackets to a combined rate of not more than 75 per cent." He opposes any increases in exemptions which would have the effect of removing millions of low-bracket families from the tax rolls altogether. "It is important to continue the broad income tax base that we have at present."

Spending—There is not much room for further major economies in government overhead costs, which are running $2,200,000,000 this year. Another budget category, $7,100,000,000 for interest on the debt, is also beyond the paring knife. Reductions in the Civil Benefits category ($13,900,000,000 this year) depend on "what the American people demand from their government" in the form of federal subsidies for agriculture, veterans, the shipping industry, airports, roads, schools, etc. Mr. Brundage personally feels that people (including businessmen) demand entirely too much, and thereby keep their own taxes high.

Defense costs—"Protection" now takes up more than 60 per cent of the budget. There is hope for long-range relief here. "The Russians are going to demand more of the good things of life . . . that's the experience of every revolutionary community." The Kremlin will come under "severe pressure to cut down on its military expenditures." That may pave the way for effective, enforceable disarmament—and consequent savings in our own defense outlays.

Welfare state—He is deeply sympathetic toward the hungry and homeless (as his labors on behalf of refugees and relief agencies prove). But he doesn't think the federal government should take over any charitable or welfare work that local communities or private organizations can handle. He detests an outright dole, even in private charity. When he worked in New York, he always kept a pocket full of meal tickets to pass out to vagrants who asked for a quarter. He bought the tickets, $10 worth at a time, from the Brooklyn Bureau of Charity, which required vagrants to do one hour's useful work—such as washing dishes—before collecting a free meal.

It is too early to tell how much influence Mr. Brundage will have on basic administration policies. His predecessor, Mr. Hughes, had enormous influence. Part of it flowed from his job, but a greater part from the high degree of personal confidence which President Eisenhower reposed in Mr. Hughes' judgment. Mr. Brundage will not, initially, have this advantage, because Mr. Eisenhower does not yet know him very well. But they will be seeing a great deal of each other henceforth.

The Budget Director is not, tech-

nically, a member of the President's Cabinet. But he attends all cabinet meetings. His status, in White House parlance, is that of a "regular invitee." (You can tell a cabinet member from a "regular invitee" by the fact that the chairs allotted to the former at cabinet meetings have higher backs.)

A chair, even a low-backed chair, at the cabinet table represents the top of a long upward journey for Percy Brundage. He was born in a Methodist parsonage in Amsterdam, N. Y., on April 2, 1892, the son and grandson of Methodist clergymen. His childhood was spent moving about New York state every four years as his father changed churches. The family had settled in Brooklyn and his father had switched to the Unitarian ministry by the time Percy left for Harvard. He studied Greek, Latin, ancient history—"just about everything but accounting"—and graduated cum laude in 1914.

Jobs were hard to find in New York and the new graduate pounded the pavements for several weeks before he landed a $5-a-week job as an office boy with an accounting firm. He decided that accounting would make a good career, so he enrolled in a night school, where he breezed through a year's training course in two months. He passed his C. P. A. examination with ease and in 1916 went to work for Price, Waterhouse at $1,500 a year. It took him just 14 years to become a full partner, and 14 more to become the head man. The income tax on his Price, Waterhouse salary was several times as much as the $16,000 a year that Uncle Sam now pays him in a much tougher job.

The numerous hobbies which he developed along the way have all been shared with Mrs. Brundage, a lovely, white-haired woman who is one of Washington's most charming hostesses.

"I met her one week on the tennis court," Mr. Brundage recalls, "and the next week at a dance. She played tennis well, and she danced well, and she was beautiful to boot. So I proposed to her."

They were married June 1, 1918.

They have two children—a son, Robert, 35, who was formerly a *Wall Street Journal* reporter and who now lives at St. Moritz, Switzerland, where he is working on a novel; and a daughter, Mrs. Joseph L. Baker, wife of an automobile dealer in Salisbury, Conn.

There also are four young grandchildren who constitute Mr. Brundage's newest hobby.

—Louis Cassels



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Probably your home will also benefit, especially if it is one of the 20,000,000 middle-aged homes in the United States needing repair or, more especially, needing to be brought up to the level of utility and livability which is possible in 1956.

Other benefits include:

- Conservation of realty values downtown.
- Maintenance of good tax assessments.
- Encouragement of business.
- Expansion of residential sections.
- The reversal of decaying values in what were once our finest neighborhoods.

Back of this rebuilding surge is Operation Home Improvement, a national campaign with headquarters at 10 Rockefeller Plaza, New York City, activities going on in more than 200 cities, and ready to help any community sincere in its desire to better its existing investment in dwellings.

Supporting this organization are the United States Chamber of Commerce, local chambers, trade associations, individual manufacturers and dealers, realtors, contractors and builders, lenders, architects, municipal officials and newspaper men—all banded together for the success of Home Improvement Year, probably the biggest promotional campaign in American commercial history.

Home Improvement Year officially started on Jan. 16, with a proclamation by Administrator Albert M. Cole, of the Housing and Home Finance Agency at the request of President Eisenhower. As the building season opens, ten governors have proclaimed Home Improvement Year in their states and scores of city managers and mayors have organized not only civic groups but planned out whole areas of their cities for improvement.

These are well-thought-out plans for municipal improvements. The careful preparations which went into the formation of Home Improvement Year and its resulting Operation Home Improvement gave time to study national needs and methods to meet them.

Actually, the Home Improvement Year's beginnings go back to January, 1955. It grew out of an increasing interest in slum clearance. Sellers of land, builders of homes and lenders of money agreed that slums had to go. They also agreed that federal public housing, subsidized by taxes, had to be held to a necessary minimum. In this the Administration agreed in principle.

But developing a workable program for slum clearance encounters many obstacles. It requires that slum dwellers, moved from slums, must be housed somewhere else. It requires energetic enforcement of adequate building codes or adoption of new ones. It requires a responsible official or civic leader capable of taking the initiative to stop blight.

It also requires a definition of blight—which is less easy than it seems. Most in the building and in public interest groups agree that a rock bottom slum is a rock bottom slum. But where, between aging but still soundly built homes and rotted out slums, can you draw a line and say, "This area is blighted and this area is not."

Obviously blighted areas were not always blighted. Sometime in the past "Rooms for Rent" signs began to appear in neighborhoods that were once fine old residences; stoops began to sag and broken windows were repaired with tar paper.

When this begins to happen to a street or neighborhood, blight has begun. Taxes go down. Municipal expenses go up.

Decay and neglect today are devaluing houses faster than we are building them. Even if production matched decay we would not be holding our own.

As populations spread out into the new suburbs, the centers of too many cities are becoming depressed areas.

New building on the periphery is not the answer. Rebuilding the central part of the city is only part of it. Saving individual houses is not the answer. It begins with saving neighborhoods.

Take the plight of a man filled with sentiment for his old home—perhaps the one where he was born, one valued at around $15,000. Perhaps he now has a larger family and needs to add a new bathroom, modernize the old one, and put in a new kitchen, perhaps add another child's room.



suburban development frequently depresses the central city area

Most people would say that $3,500 to $5,000 would be a minimum cost for that size job. The owner would probably want to borrow half or all of the money. The local banker may know that the prospective borrower is a fine personal credit risk and he may admire his reverence and loyalty to his home and

neighborhood. He may also recognize that the additional investment would greatly increase the final value of the house itself. But, if the banker looks around and sees little but growing blight for five or six blocks all around, he is not going to grant that loan.

Saving this man's home becomes a matter of saving not only his own neighborhood but adjoining neighborhoods as well. This calls for united action, not only by home owners but by the people who are really most concerned, the national associations of lenders and builders and materials producers, right down to the hardware and lumber dealer just off Main Street and the bank, or building and loan association, right on Main Street.

Administrator Cole undertook to bring about this united action. On March 1, 1955, he wrote to Bernard M. Shanley, Secretary to President Eisenhower:

"My staff plans to call together a working committee of these Associations who will undertake the actual national public relations drive in which we will participate as advisers.

"I am convinced that all of the national associations . . . will give their enthusiastic and practical support to making a major national operation out of this suggestion—especially if it is endorsed by the President or the President issued the official proclamation."

After the President wrote back requesting his Housing Administrator to issue the suggested declaration, Mr. Cole contacted John Dickerman, Executive Director of the National Association of Home Builders; Charles Stewart, Director of Public Affairs of the National Association of Real Estate Boards; Steve Slypher, Executive Director of the U. S. Savings and Loan League, and H. R. Northup of the National Retail Lumber Dealers' Association. The first conference leading to Operation Home Improvement was held April 15, 1955.

Although the idea was fostered by Mr. Cole, OHI is a private enterprise endeavor which now boasts nearly 60 underwriters. The late Stuart Fitzpatrick, for many years chief of the Construction and Civic Development Department of the U. S. Chamber of Commerce, followed the author as chairman. He has been succeeded in the presidency by Paul B. Shoemaker, vice president of the Masonite Corporation. Sparkplug of its operations is Jack Doscher, formerly with *Life* magazine and the American Council to Improve Our Neighborhoods.

Mr. Fitzpatrick took over as chair-



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man in April, 1955, Mr. Doscher joined the organization in June.

By November, 70 major trade and popular magazines had endorsed the program for bringing our homes and our cities up to the level of 1956. Operation Home Improvement had doubled its budget, (originally $88,500 with the stipulation that no one could subscribe more than $5,000) and had incorporated as a nonprofit organization under the laws of the District of Columbia. The trade was beginning to speak of the movement as at least a five-year crusade.

Oakland, Calif., had held a mass meeting of more than 400 dealers, planners, civic officials and citizens' groups under the chairmanship of Norris Nash of the Kaiser Company. Observers from half a dozen other cities came to listen to Mr. Cole and the technical advisers from his staff. Denver and Seattle followed during the autumn as pilot cities. Since then New Orleans, Chicago, Baton Rouge, Los Angeles, San Francisco, and Honolulu have joined the roster.

By January 14, Operation Home Improvement had moved to Washington to take its part in the declaration of Home Improvement Year as an official entity. Up to this time Home Improvement Year had been unofficial.

On Jan. 16, Home Improvement Year was officially launched at a conference luncheon.

Mr. Cole told government and industry guests: "Aware of the magnitude and urgency of the need to rehabilitate our older homes, the President has expressed his desire that the Housing and Home Finance Agency stimulate our communities, the building and lending industries and private citizens everywhere to a full and systematic achievement of a modern home for every American. If this objective is attained our entire population—owners, tenants and laboring force alike—will be enormously benefited. This is indeed a challenge to homebuilders. It is also an opportunity for lenders, realtors, architects, producers and all the trades and professions. It will mean a whole new area of employment for labor.

"Millions of individuals will take part in it. Thousands of communities will participate. Civic organizations and major areas of private industry, including all the media of communications, will marshall their powerful forces. The federal government will aid in every possible way. No peacetime endeavor of the American people has ever had such assurance of universal support as this nation-wide Home Improvement enterprise."

Pittsburgh, Buffalo, Washington, and New York City began to cry for help for their Home Shows; Birmingham, Ala., mobilized nearly 3,000 dealers and tradesmen from the whole Southeast to coordinate action.

White Plains, N. Y., adopted the principle involved in Home Improvement Year in spectacular teamwork fashion.

More than half of White Plains' homes are in the category of sound, but older construction. It is the old and well established seat of Westchester County, one of the most densely populated counties not wholly in a big city. Although there is no heavy industry, many big firms are moving their clerical operations there. White Plains population was 11,000 in 1950; seems to be stabilized today at 57,000.

To Erwin Glauber, 30, third-generation lumber dealer in White Plains, OHI looked like one of those rare combinations—profitable and of benefit to the community as a whole. He pulled together a group of ten architects, builders, realtors, lenders



and dealers around Dec. 7, 1955. By Jan. 16, they were all steamed up but had no wide-scale urban renewal project to tie into.

Then Dick Brecker from Howard Chase's Communication Counsellors, Inc., of New York, recently of the U. S. Information Agency in Washington, suggested:

"Let's borrow a house to remodel."

They actually borrowed two in different sections of the community. Each had different problems.

They moved the families out, paid all hotel expenses, remodeled their houses for free, and handed them back in a couple of weeks. All the home owners had to do was open

their homes on Saturdays and Sundays for eight consecutive week ends so that the public could see what had happened.

Major manufacturers, aware of the publicity, donated through their dealers, the sidings, roofings, windows, and scores of other principal materials required.

Of the two houses selected for remodeling, one needed another bathroom and bedroom, more kitchen space and a general overhaul including re-wiring, plumbing, siding roofing, windows. It would have cost a customer $24,000.

The other was a two-story frame house requiring $18,000 of work.

Operation Home Improvement in White Plains set its own budget over and above donated materials at $20,000—$8,000 of which was for non-contributed supplies, labor, and Carnival Insurance to cover the public during their visits; the remaining $12,000 will be used for county-wide advertising and publicity. Out of all this they expect increased remodeling work alone through Westchester County to go up more than 600 per cent.

Meanwhile, other kinds of activities are going on elsewhere. Sears, Roebuck has put up information booths with full informational kits and trained personnel—900 booths for 700 retail outlets; the Security First National Bank of Los Angeles is putting out 1,000,000 leaflets—all with the Home Improvement Year message and the OHI seal; both U. S. Plywood and Sears, Roebuck have invested in strip films and movies ranging from $50,000 to $100,000; the National Retail Lumber Dealers Association invested heavily in a slick paper, 16-page "How to Do It" pamphlet; the Portland Cement Association did a similar promotion piece.

The Bank of America is planning to use more than 500 billboards; the *Women's Home Companion* has put out thousands of pamphlets, "The Guide to Home Improvement Loans," designed to explain the pros and cons of many different types of loans to the American women; home shows are sprouting everywhere; contests range from Colgate-Palmolive's $100,000 TV contest, to the National Association of Colored Women Clubs which has put up $25,000 in prize money for a series of national awards to the Negro communities doing the most to better themselves. Newspaper clips showing local reaction to all of this are coming in at the rate of more than 2,000 a month—and the level is increasing as the building season begins.—WILLIAM A. ULMAN

looking for a

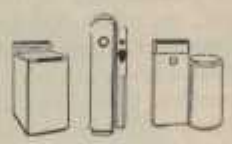
Business Opportunity?

Investigate your business opportunity with the Lindsay Company, America's largest manufacturer of home automatic water softeners. The Lindsay Company is pacing the fast growing soft water industry both in product development and promotion.

New Lindsay fiberglass and all-automatic equipment is the talk of the industry. National advertising indicates great consumer interest in many areas not now under the Lindsay 16-year exclusive franchise. This exclusive franchise covering a protected territory can be a real profit maker for you now and through the years . . . as it already is for hundreds of Lindsay dealers.

The Lindsay rental plan can provide you with a solid income floor. Financing of retail sales can be on F.H.A. 36-month terms with no down payment in most areas. Your business opportunity with the Lindsay Company is one of the best in every respect. When you join Lindsay, you join the leader in one of today's proven "growth" industries.

Write the Lindsay Company today for complete dealer franchise details. Please include general background information about yourself in your letter.



THE LINDSAY COMPANY
Dept. 14
1381 Marshall Avenue
Saint Paul 4, Minnesota

• BANKRUPT • CLOSEOUT
• SURPLUS • JOB LOTS

MERCHANDISE BARGAINS! TOYS, NOVELTIES, JEWELRY, MACHINERY, TOOLS, COSMETICS, APPLIANCES, GREETING CARDS, INDUSTRIAL MATERIALS, ETC.

Often As Low As 10-25c On The Retail Dollar!

"Bargains" is The Only Big Tabloid Publication in Existence That Tells You EVERY MONTH—Where and How—

A few samples of the Bargains usually found in "BARGAINS."

- Hard cover books, 4c
- PENCILS, 57½c per gross!
- D.E. Razor blades, $1.50 per 1000!
- $200.00 Surplus Typewriters, $23.00!
- 50c Everyday cards, 7½c box!
- $1.00 Automatic card shufflers, 9c
- New Phono records, 7c each.
- $39.00 Encyclopedia sets, $3.75!
- $1.95 Men's silk ties, 12½c

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- **To Buy New & Unusual Items!**

Just one issue of this sensational publication can save or earn you more money than the cost for the entire subscription! Each issue carries hundreds of bargain offers, sometimes so extraordinary that it's hard to believe that they're genuine!

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JUST $2.00 PER YEAR! Reg. price $3.00. Special offer gives you 12 big issues for $2.00 including the big 1956 Christmas Special issues!

Here's What Subscribers Say!

". . . As a result of answering one of the ads (in Bargains) it has resulted in extra profits of $10.00 and upwards per month." J. H. Alabama.

". . . I think BARGAINS is the best merchandise publication I have ever seen, (and I have seen hundreds)." S.P.C., Brooklyn, N.Y.

". . . Saw your wonderful paper and enjoyed every bit of its reading and ads. It's a great paper." M.S., Vermont.

PLUS MANY OTHERS!

(Every one of these letters were unsolicited.)

Your Money Back in Full if the First Issue Doesn't please you!

How can you lose? No offer can be more fair than this. Your money back in full if first issue you receive doesn't please you!

TOWER PRESS, INC.

Box 591-ZV Lynn, Mass.

Tower Press, Inc., Box 591-ZV, Lynn, Mass.
Rush me 12 issues of BARGAINS. Here's my $2.00!

Name

Address

City State

Remember! Your money back if the first issue you receive doesn't please you!



this can't happen with a

MORRIS SAFE-T-SET



"Puddle-Proof"



Even upside-down the Morris Safe-T-Set can't spill ink! Handsome Morris Safe-T-Set saves soiled clothing, frayed nerves. Absolutely can't spill or leak. And you won't have to refill it for months. Morris hard-tipped points are famous for long wear, with a choice to suit your individual writing style. Made by the leader in matched desk-top equipment.

BERT M. MORRIS CO.

8651 W. 3rd Street, Los Angeles 48, California



Are Your Files Showing?



Ever watch someone searching in a messy file drawer for a letter or folder? Ever do it yourself? Takes time. Frays tempers. Costs money.

Why not have your files in a condition you'll be proud to show? Acco-binding is the answer. Put your letters, invoices, contracts, orders—all your papers—in Accobind Folders. They'll be *safely* filed—where you want them—until you want them. And your files will be neat, orderly, efficient. Accobind folders also save considerable space in filing cabinets. Your stationer will be glad to show you the features of Accobind Folders, (all sizes and 5 colors), and other Acco products. Ask him.

ACCO PRODUCTS, Inc.

Ogdensburg, N. Y.

In Canada: Acco Canadian Co., Ltd., Toronto

Look for employment peak this summer

- **Jobs prove safer than homes**
- **Coming—electronic supermarkets**



The job outlook for high school and college graduates next month is good.

That is the latest word from the U. S. Department of Labor, which has just taken a hard look at economic prospects for the next 18 months.

The Department's work force experts say hundreds of thousands of seasonal, or summer, workers will enter the working ranks in the next few months and may boost total employment up to or over the all-time high level of 65,488,000 reached in August of 1955.

A surge in employment is customary in the summer months. It reflects an attraction of students, housewives, and other marginal workers into the work force by demand for workers in seasonal industries, such as farming and recreation.

Employment prospects are especially bright this year in businesses dependent upon travel and vacations. In its recently released "Job Guide for Young Workers," the Labor Department urges students seeking summer income to check resorts, the national parks, hotels, service stations, restaurants, and other places where the vacationer's dollar is spent.

"We look for a record year in vacation-connected employment," a Labor Department spokesman told NATION'S BUSINESS.

Farms will be big employers of temporary summer help despite the much-heralded financial woes of the farmers, according to Labor Department predictions.

Local branches of state employment security offices, which are affiliated with the U. S. Employment Service, are offering young people interested in farm work a unique reference service in many agricultural communities.

In some places arrangements are made for the student farm hands to live with farm families. In other instances, the students are transported from town to farm by truck in the morning, returned to town at night.

Officials tell of one case in which an entire high school football team, including the coach, took farm jobs during the summer months to build weight and energy for its fall pigskin campaign.

Copies of the Labor Department's "Job Guide for Young Workers" are being distributed to local employment offices, which will make sample copies available on request. The job guide tells what kind of jobs are available, and how to go about getting them. Persons desiring to order copies in quantity may do so by contacting the Government Printing Office, Washington, D. C.

The Labor Department says the prospect also is bright for graduates seeking permanent employment, except in labor surplus areas. Graduates in engineering are especially in demand.

Job safety emphasized



With employment now reaching new peaks, American industry is striving for a new safety record this year.

The 14,200 industrial deaths last year made 1955 our second safest year, following closely behind 1954 which had 14,000 deaths at work. Highest number killed was 19,600, recorded in 1937 when the U. S. Department of Labor first began keeping records on industrial safety.

Job safety will be emphasized by a special Job Safety Week which is to be observed this year from May 13 to 19.

More Americans are killed in homes each year than on jobs. Approximately 27,000 lives were lost last year in home accidents.

Significantly, about twice as many men as women get hurt around the house, although women spend more time at home.

This is a finding of a Metropolitan Life Insurance Company study covering five years.

The accident death rates per 100,000 persons are: 2.9 for men, 1.4 among females in the 15 to 24 age

group; 5.3 and 2.5 in the 25 to 44 age group; 13.2 and 7.5 in the 45 to 64 age group.

Only among persons age 65 and older are the rates the same—35 deaths per 100,000 persons. Among the young, aged one to 14, more males than females are killed in home accidents, but the number is not substantially larger, as it is among other age groups.

The increase in do-it-yourself home repairs of recent years isn't to blame, say analysts, who report only six per cent of male fatalities resulting from do-it-yourself work.

Statistics show causes include falls, burns, gas poisoning, firearm accidents, electricity, blows from falling objects, ingestion of food or other objects, and drowning.

According to the *Statistical Bulletin*, only motor vehicle accidents take more lives and in some cities home accidents outrank all other accidental causes. Furthermore, nonfatal home injuries—totaling about 4,000,000 a year—exceed motor vehicle accidental injuries by about three to one.

Autobution will do your selling



Sweeping changes in the mechanics of retailing in food stores are predicted by Don R. Grimes, president of the 6,000-store Independent Grocers' Alliance (IGA).

Mr. Grimes says tomorrow's food store will be a fantastic electronic operation in which rapid service is carried to the ultimate.

Here's how it would work: The shopper would receive IBM cards from the retailer. There would be a red card for meat, and on this card the various cuts of meat, to be punched by the consumer to indicate her wants. A green card for fruits and vegetables, yellow card for dairy products, and so on.

The customer would take these cards and, with her ideas of what she wants, punch on the cards the various items she wants. She then would take the punched cards to the store and give them to the retailer who, in turn, would put them into a mechanism which would collect, package, and deliver before the shopper all the items she ordered. And this in just a matter of minutes!

Another development which may help to bring "autobution" (distribution's term for automation) to the $70,000,000,000 a year food business is this: vending machines placed outside stores after they close.

The machines would contain at least 25 items considered to be basic needs of housewives for emergency food needs.

"Let George do it!"

OLD HAT? Of course it is! But you'd be surprised at the thousands of businessmen who think chamber of commerce activities are always for the other fellow. Take Frank Beckert, a prominent merchant right here in town who told me . . . *"Why don't you ask someone else to join and leave me alone?"*

IT DIDN'T SOUND RIGHT coming from a conscientious citizen like Frank. So I asked him . . . "Doesn't everything that's done for the benefit of the city help you?" And when he nodded his head in thoughtful affirmative, it seemed like a perfect opportunity to appeal to his pride . . .



LIKE THIS, for instance . . . "The results of the chamber's work are enjoyed by many business and professional men who never support it. Of course nobody likes to be known as a free-loader. But isn't this exactly what such an attitude adds up to?"

THAT RANG THE BELL! And Frank couldn't help but admit . . . "if everyone passed the responsibility on down the line, the chamber would never get anywhere. There'd be little done for the town, merchants, businessmen or industry. Community progress would be virtually non-existent."

SO WE GOT TOGETHER! It was amazingly simple once Frank realized how the welfare and future of the whole town depends on the efforts of all its citizens. But he's changed, and so has that old saying. Now everytime the chamber hears that "get somebody else" routine, Frank knows the answer. It's "Let's help George do it."

Pete Progress

Speaking for your chamber of commerce



Let NATIONAL VAN LINES make your move worry-free and economical!

Whether you're moving yourself, or you're a company executive responsible for moving transferred personnel, National can save you money and time. National pre-plans every move. Careful packing by bonded packers; direct service to destination aboard *one* hygienically clean, dustproof, rainproof van; unpacking and furniture set-up exactly as the customer wishes — all these are National service features that add up to economical, worry-free moving!

Call your local agent — listed under "Moving" in the Yellow Pages of your phone book.

NATION WIDE
NATIONAL VAN LINES Inc.
SINCE 1929

America's Fastest Growing Nationwide Moving Company

Another SANTA CLARA COUNTY Trademark

FALSTAFF

... located at the

PROFIT CENTER

of the West!

Freight rate differentials made a distant market prohibitive for beer. As a result, necessity moved Falstaff to this *population center* of the West. Are freight costs your problem, too?

ACCEPT THIS SERVICE... Write for an individually prepared copy of "Your PROFIT PLAN for the Western Market."

San Jose Chamber of Commerce
Dept. 10, San Jose 13, Calif.

San Jose CALIFORNIA

Located in Santa Clara County

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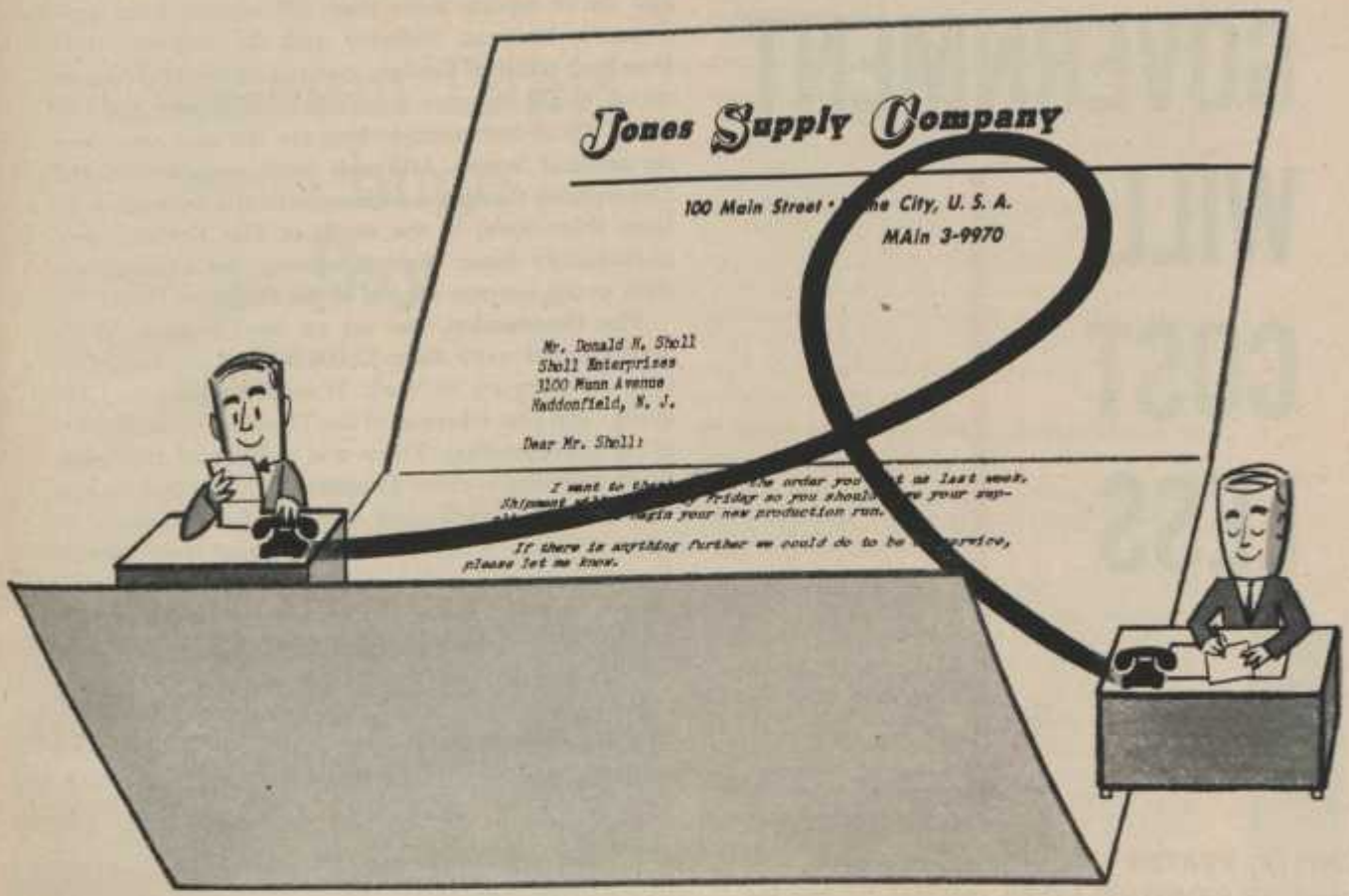
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Do you publish your telephone number?

That makes it easy for out-of-town customers to call you

These competitive days it's a good idea to have your *telephone number* on your letterheads, in your advertisements, and on business cards, invoices and any other forms that go outside your company.

That way, there's no question or delay when an out-of-town prospect or customer wants to call you.

You'll find that displaying your "telephone address" pays two ways:

1. ***It puts you as close to your customer as the telephone on his desk—and thereby helps you give him quicker, more personal service.***
2. ***It invites new orders from out-of-town customers—at little or no selling cost to you.***

If you're not already using this idea in your company, why not start right now? It's good business.

LONG DISTANCE RATES ARE LOW

Here are some examples:

New York to Philadelphia	50¢
Cleveland to Indianapolis	90¢
Chicago to Pittsburgh	$1.15
Boston to Detroit	$1.40
San Francisco to Washington, D.C.	$2.50

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

BELL TELEPHONE SYSTEM

Call by Number. It's Twice as Fast.

BETTER GOVERNMENT WILL COST LESS

UNITED STATES citizens have just paid an estimated $35,000,000,000 federal personal income tax with a good nature that many countries—France, for example—find incredible.

This money will support the world's best government. It is also a big government, and expensive.

The citizen is not accustomed to brood on these things as he drops his return in the mail box.

Although he wishes taxes were smaller, his chief reaction is relief. He hopes he hasn't paid too much but, if the government doesn't find he paid too little, he is willing to forget the whole affair for another year.

Were he less willing to forget, his wish for smaller taxes could come true.

He can have a smaller government, a less expensive government and a more efficient government if he is ready to work for it. He need not even work very hard because the grubby part of the job has already been done for him.

The second Hoover Commission completed its two-year study of government operations almost a year ago. In 19 reports more than 200 experts from government, business, industry and the colleges—men from both political parties—recommended 314 changes which would improve government efficiency and cut costs. These recommendations are not partisan ideas or political issues. Although some members of the Commission disagreed with some of the recommendations there were, in the words of Jim Farley, "proportionately fewer dissents among the Commission than in the average session of the Supreme Court."

The Commission was set up by Congress which appropriated more than $2,800,000 of tax money so it could carry on its work. It reported back to Congress—and also returned to the Treasury some $85,000 of its appropriation. There was a flurry of publicity. Some 230 bills to enact Commission recommendations into law were introduced. Nothing has happened to most of them. A few recommendations have become law. Six others have passed one House of Congress, three have been reported by committee. Hearings have been called on others. A few departments have adopted recommendations by administrative action.

It took five years to get action on 72 per cent of the First Hoover Commission's recommendations. The savings have been $7,000,000,000 in government expense.

Estimates are that, if all the second Commission's recommendations are adopted, government cost will be cut $5,500,000,000 a year.

A five year delay would thus cost $27,500,000,000, a figure which a citizen who wishes for smaller taxes should find worth remembering.

A great many citizens are remembering it. All across the country chambers of commerce are organizing efforts to remind Congress that $2,800,000 is too much money to spend on a report which is to be ignored.

Good government, of course, is a bargain at any price.

It deserves its citizens' support, not only at income tax time but continuously. Those who join their fellows to help make good government more efficient are not only performing a patriotic duty but, in the case of the Hoover reports, paying themselves and fellow taxpayers a $5,500,000,000 annual dividend.

Aluminum Paint protects huge Tampa Bay Bridge

Gleaming, aluminum painted Tampa Bay Bridge, connecting St. Petersburg and Bradenton, Florida. First opened on Labor Day 1954, this structure required several thousand gallons of aluminum paint manufactured by **Tnemec Company, Inc., North Kansas City, Mo.** Painting Contractor: Interstate Painting and Contracting Company, Woodbury, New Jersey. Owners: State Road Department of Florida.

Dependable insurance against sun and salt air

Florida's brisk, sunny atmosphere is ideal for vacations but one of the hardest on paints. Engineers have sound reasons for specifying high quality aluminum paint as the final coat on highway bridges.

1. **Durability.** Aluminum paints are noted for the "leafing" of the aluminum flakes on the surface of the paint film. The resulting high reflectivity considerably retards the destructive action of the actinic rays of sunlight. Increased resistance to moisture penetration is another advantage. The combination means longer life for the entire paint job.

2. **Safety Factor.** Aluminum painted bridges are clearly visible at night.

3. **Beauty.** A glistening coat of aluminum adds a final touch of beauty to this $12,000,000.00, mile-long structure.

ALCOA does not make paint, but ALCOA® Aluminum Pigments are used in more aluminum paints than any other brand. Special formulas have been developed to solve individual problems. Paints made to these formulas actually cost less, last longer, give utmost protection against heat, cold, sun, rain, smoke and fumes. Why not find out more about aluminum paint and aluminum roof coatings? Our FREE booklets have valuable information. Send for them. Use the coupon.



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ALCOA **ALUMINUM**

ALUMINUM COMPANY OF AMERICA

*ALCOA

TUNE IN "THE ALCOA HOUR" — NBC TELEVISION, ALTERNATE SUNDAY EVENINGS. SEE YOUR NEWSPAPER FOR TIME & STATION.

Aluminum Company of America, Paint Service Bureau
1715-E Alcoa Building, Pittsburgh 19, Pennsylvania

Please send me your FREE booklets:

☐ Painting With Aluminum
☐ Aluminum Asphalt Roof Coatings Make Time Stand Still

Name

Company

Address

City Zone State

HAGLEY MUSEUM AND LIBRARY



INVENIEMUS VIAM AUT FACIEMUS: "We shall find a way or we shall make one."
—Memorial Gate, University of Pennsylvania

Investing in young America . . . a progress report

"To HELP deserving young men and women obtain a college education . . . to give financial support to a cross-section of American colleges . . ."

FOUR YEARS AGO, the Union Carbide Scholarship Plan was established with those objectives.

Today, the plan provides the complete cost of tuition and fees for 400 four-year scholarships at colleges and universities throughout the country. As an important part of their education, the scholars are encouraged to gain valuable experience in their chosen fields by obtaining jobs in industry during summer vacation.

50 TECHNICAL SCHOLARSHIPS are also available in specific fields of study. They cover the student's tuition and fees for the senior year. In addition, to assist graduate students and to support academic research, Union Carbide offers 66 fellowships and grants-in-aid to universities.

THE PEOPLE OF UNION CARBIDE regard these scholarships as an important contribution to the future and to two of America's priceless assets—its educational system . . . and its youth.

TO LEARN MORE *about the Union Carbide undergraduate scholarships and the colleges and universities in which they have been established, write for Scholarship Plan booklet M.*

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PREST-O-LITE Acetylene · ELECTROMET Alloys and Metals · HAYNES STELLITE Alloys · BAKELITE, VINYLITE, and KRENE Plastics